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Agricultural Adjustment

1933 *to* 1935

**A Report of Administration
of the Agricultural Adjustment Act
May 12, 1933, to December 31, 1935**

UNITED STATES DEPARTMENT OF AGRICULTURE

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LETTER OF TRANSMITTAL

United States Department of Agriculture,
Agricultural Adjustment Administration,
Washington, D. C., March 18, 1936.

Hon. Henry A. Wallace,
Secretary of Agriculture.

Dear Mr. Secretary: Herewith is transmitted the third report of efforts to assist in the recovery of agriculture, undertaken in compliance with the mandate of Congress contained in the Agricultural Adjustment and related acts.

The report covers the activities of the Agricultural Adjustment Administration during the calendar year 1935, and to some extent is a review of the entire 3-year period beginning with passage of the Agricultural Adjustment Act in May 1933.

Respectfully,

C. C. Davis

Administrator.

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FOREWORD AND REVIEW

The report of the Agricultural Adjustment Administration here transmitted, covering the calendar year of 1935, marks the end of one phase of agricultural adjustment. Six days after the end of the year, the majority of the United States Supreme Court handed down its decision in the Hoosac Mills case, invalidating the production control programs carried out through contracts between the Federal Government and individual farmers and financed by processing taxes.

Since that phase of the adjustment effort is now stopped, it seems appropriate to review not only the calendar year 1935 but the entire 3-year span since the adoption of the Agricultural Adjustment Act by Congress in May 1933.

During the 3-year period an increasing portion of agriculture has functioned unitedly through a governmental agency. The period of adjustment has been contemporary with a marked improvement in the economic position of agriculture and in agriculture's contribution to business recovery. Immediately preceding the 3-year span was a 3-year period of economic disaster, the years 1930–32. The turning point occurred after 1932, when the largest farm population in the Nation's history had the smallest farm cash income recorded in the 26-year period for which records are available. The turning point in the fortunes of agriculture thus was coincident with the adoption of the Agricultural Adjustment Act.

Agriculture has several functions: (1) It provides a livelihood for nearly 33 million persons living on farms; (2) it contributes to the Nation's business by supplying buying power directly to one-fourth of the consumers in the domestic market and in addition, to one-fifth more in small cities and towns where income is dependent on farm trade; (3) it provides the Nation with a continuing supply of food and fiber; (4) it is custodian of the valuable resources the Nation has in its farm land.

With an improvement of 58 percent in farm cash income in 1935 over that of 1932, agriculture now provides a better livelihood for farm families. Increased buying power among farmers has been translated into increased business activity, and, as in the case of past depressions, that measure of business recovery already achieved has been preceded by an advance in farm income.

Income circulates more freely as spending is made possible among those consumer groups whose need for goods is particularly great. For a period of years prior to the depression farmers had suffered a disparity of prices which returned them a relatively small share of the total national income. During the depression this disparity was increased. An enormous accumulation of farmer wants was dammed up. This deferred demand awaited an increased flow of income.

The translation of farmers' wants into business activity stepped up the spending circulation of an appreciable share of income. The farmers' fixed expenditures such as taxes and interest absorbed a smaller portion of the farmers' income, leaving a larger share to go

toward meeting the accumulated demand. In 1935 agriculture contributed a share of the national income considerably larger than that of 1932.

With control over their production and with better prices, farmers were better equipped to push toward the objectives of maintaining an even flow of supplies to consumers and of conserving and restoring soil resources.

A large measure of the improvement that has been made is attributable to the uniting of farmers for the attainment of common objectives. The need for a united effort was apparent in the previous fruitless attempts to meet problems which beset all, or nearly all, of agriculture. Formerly a force neutralized within itself by the pull of a large number of units in different directions, agriculture has been magnetized for a united pull in one direction under the adjustment programs. The united force has been exerted to attain various common objectives. It has been exerted to attack the widely differing problems of drought and surplus. It has pointed agriculture definitely in the direction of a long-time program of efficient land use.

To what extent have agriculture's contributions to national welfare improved during the past 3 years? How much impetus did conscious adjustment by a large segment of the Nation's farmers give to this improvement? This report will attempt to answer these questions in setting forth the results of efforts made to carry out the Agricultural Adjustment Act.

I. ADJUSTMENT'S CONTRIBUTION TO IMPROVED LIVELIHOOD FOR FARMERS

Farm prices, the exchange value of farm products, and farm income made striking increases from 1932 to 1935. While some farm costs advanced, farm real estate taxes declined noticeably, and the total farm debt as well as interest charges decreased. The income available for living, after deducting for expenses incurred in farm operation, increased even more rapidly than did gross income.

AGRICULTURE'S SHARE OF NATIONAL INCOME LARGER

Between 1929 and 1932, agriculture's contribution to national income declined from slightly more than 10 percent to 7.5 percent. Estimates indicate that in 1935 agriculture contributed about 10.6 percent of the total national income.

Despite this increase, however, the 1935 net farm income, exclusive of rental and benefit payments, fell about 1.1 billion dollars short of giving persons on farms a purchasing power equal to that of persons in urban areas. An addition of that amount to 1935 net farm income would have restored the pre-war relationship between farm and nonfarm purchasing power. The 1935 benefit payments reduced this disparity by about 480 million dollars. Indications are that the disparity in 1936 will again be around 1 billion dollars. Any benefit payments made to farmers would reduce this figure by an amount equal to their total.

Annual farm cash income during the 3-year period averaged $1,815,000,000 larger than the cash income in 1932. Thus the total cash income received by farmers during the 3 years was around

$5,400,000,000 more than it would have been if the 1932 level had continued during 1933, 1934, and 1935.

Cash income from farm production in 1935 is estimated at $6,900,000,000, including rental and benefit payments, not all of which had been disbursed at the close of the year. This is an increase of nearly 58 percent over cash income from 1932 farm production, and is about two-thirds as large as cash income from 1929 farm production.

The farm population dependent upon this income increased from about 31,241,000 persons on January 1, 1932, to 32,779,000 on January 1, 1935, an increase of about 5 percent. On this basis, per capita, cash income increased about 50 percent or from $140 to $210 during the period.

The gain in income was somewhat offset by an increase during the 3-year period in prices farmers pay for commodities and services used in production and living. Allowing for an increase of 17 percent in prices farmers pay, the purchasing power of farm cash income was 35 percent larger in 1935 than in 1932. Purchasing power of cash income was 21 percent larger in 1933, and 24.5 percent larger in 1934, than in 1932.

CASH AVAILABLE FOR FARM LIVING LARGEST SINCE 1929

Cash available for farm living from 1935 income, after making deductions for wages, operating expenses, taxes, and interest, is estimated at $3,575,000,000, which amount is the largest for any year since 1929, and nearly 2½ times as large as that for 1932. Cash available for living from 1932 production was $1,473,000,000; from 1933 production, $2,548,000,000; and from 1934 production, $3,257,000,000.

Cash income from production, and its purchasing power during the 3-year period as compared with that for 1932, are shown in table 1.

TABLE 1.—*Cash income from production, benefit payments, and comparison of purchasing power, for 1932, 1933, 1934, and 1935*

Year	Cash income including benefits	Benefit payments [1]	Percent increase in income over 1932	Index of prices paid	Percent increase in purchasing power over 1932
			Percent		*Percent*
1932	$4,377,000,000			107	
1933	5,409,000,000	$278,000,000	24	109	21
1934	6,267,000,000	594,000,000	43	123	25
1935	6,900,000,000	480,000,000	58	125	35

[1] Adjustment payments are those made or to be made on the year's programs, and are not actual disbursements during the calendar years.

The above figures represent farm cash income with regard to production in the year specified. They do not necessarily represent cash income received by farmers during that calendar year, since not all of the products produced within the year may have been sold during the year, nor had all benefit payments covered by contracts been disbursed, while on the other hand farmers received during the calendar year rental and benefit payments in relation to contracts that had been in effect with regard to the production of the preceeding year.

VALUE OF FARM EXPORTS LARGER BUT VOLUME DECLINES

The effect of the export of farm products on farm income is indicated by the fact that the value of farm exports increased after 1932–33 although the volume declined. The 1932–33 value of farm exports totaled about 590 million dollars. Despite a slight decrease in volume, the value of 1933–34 exports increased to about 787 million dollars. The value of the 1934–35 exports totaled about 669 million dollars, although the volume was 36 percent less than that of 1932–33.

It is worth noting that for the 6 months, July to December 1935, the value of farm exports stood at 470 million dollars, as compared with 392 million dollars for the same period in the preceding year, and 590 million for the entire year 1932–33.

In the long run there is small advantage to American farmers in putting a huge volume of farm products onto the export market at prices so low that they will neither cover farm costs nor enable the farmer to protect or replenish the fertility of his soil. Volume alone does not afford an adequate measure of the importance of the foreign markets to American agriculture. Agriculture is as much concerned about the income from exports as it is about the volume exported.

DISTRIBUTION OF INCOME IN 1935 MORE LIKE THAT OF 1929

The decline in farm cash income from 1929 to 1932 was not uniform as among commodities and regions. Cash income from wheat, cotton, tobacco, and corn and hogs dropped off 66 percent from 1929 to 1932, as compared with the lesser decline of 53 percent for all other farm commodities.

Between 1932 and 1935, the income from these five commodities increased about 90 percent, including rental and benefit payments. This compares with an increase of 43 percent for all other farm commodities.

The five commodities contributed 38 percent of the total farm cash income in 1929, about 31 percent in 1932, and about 38 percent in 1935.

A comparison of income from wheat, cotton, tobacco, and corn and hogs with income from all other farm products in 1929, 1932, and 1935 is given in table 2.

TABLE 2.—*Cash income from farm production and benefit payments* [1]

	1929	1932	Percent of 1929	1935 [2]	Percent of 1929
Cotton	$1,389,000,000	$464,000,000	33.4	$877,000,000	63.1
Wheat	692,000,000	196,000,000	28.3	[3] 481,000,000	69.5
Tobacco	286,000,000	108,000,000	37.8	254,000,000	88.8
Corn-hogs	1,631,000,000	597,000,000	36.6	[4] 981,000,000	60.1
Total	3,998,000,000	1,365,000,000	34.1	2,593,000,000	64.9
All other farm products	6,419,000,000	3,012,000,000	46.9	4,307,000,000	67.1
Total farm cash income	10,417,000,000	4,377,000,000	42.0	6,900,000,000	66.2

[1] Income from livestock for calendar year; from crops for crop year. Adjustment payments are those to be made on the year's program, and are not actual disbursements during the calendar year. These figures thus will differ from income reports which give marketing receipts and actual disbursements of adjustment payments during the calendar year.

[2] Includes rental and benefit payments.

[3] Based on Dec. 1 report on production and price average allowance for seed and wheat consumed in home and fed to livestock.

[4] Income from corn based on Dec. 1 report on price and production and usual relationship between production and sales on cash income from hogs. Income from hogs based upon monthly cash income estimates.

Wheat, cotton, tobacco, and hogs (which provide an important outlet for marketing corn) are the important export commodities. They are the commodities for which large price-depressing surpluses existed in 1932. The first production-control programs were pointed toward adjusting the production of these commodities.

Of the increase of $1,228,000,000 in income from these commodities, in 1935 as compared with 1932, rental and benefit payments accounted for about $480,000,000, or about 39 percent.

Since certain agricultural regions are dominant in the production of the five commodities mentioned above, disparities in the distribution of agricultural income as among regions also were somewhat lessened between 1932 and 1935. In general, farm income of regions which declined farthest after 1929 increased most rapidly after 1932.

While 1935 figures on cash income from production are not available by regions, the tendency toward a smoothing out of regional distribution of income is evidenced in the figures on cash receipts from marketings including rental and benefit payments, by regions, from 1929 to 1932 and 1935, as shown in Table 3.

TABLE 3.—*Cash receipts from sale of principal farm products, by regions*

Region	Percent receipts were of 1929		Region	Percent receipts were of 1929	
	1932	1935 [1]		1932	1935 [1]
	Percent	*Percent*		*Percent*	*Percent*
North Atlantic States	54	72	West North Central States	36	57
South Atlantic States	42	76	Western States	43	69
South Central States	38	63			
East North Central States	41	73	United States	41	66

[1] Includes rental and benefit payments.

While cash receipts in all regions have shown marked improvement from the depression low in 1932, receipts in 1935 were only approximately two thirds as large as in 1929. In the West North Central and South Central regions, where the drought in 1934 was reflected in severely reduced marketings of crops and livestock in 1935, cash receipts have not reached as high a level as in the other regions where conditions were more normal.

EFFECT OF ADJUSTMENT ON INCOME

The adjustment program increased farm income both by disbursing rental and benefit payments and by increasing farm prices. The additions that rental and benefit payments made to farm income are readily measurable. The adjustment program, however, was only one of a number of factors which brought about increased prices which in turn increased farm income. The portion of the price increase attributable to the adjustment program is not easily measured.

Rental and benefit payments contributed not only to the increase in farm income, but to the evening out of income distribution among regions and among commodity groups. This was particularly noticeable in the States affected by drought, where the volume of products raised for market was drastically curtailed, and where rental and benefit disbursements comprised a large portion of the total

income of farmers. As an example, in South Dakota receipts from farm marketings fell from about 68 million dollars in 1933 to less than 55 million dollars in 1934, in which year disbursements of benefit payments exceeded 27 million dollars. In North Dakota, in the same period, marketings declined from 75 million dollars to 63 million dollars, while 1934 benefit payment disbursements totaled 37½ million dollars. In other States in the drought-affected area, benefit payments functioned as crop insurance to an important, though lesser, extent.

Other adjustment measures operated to protect both current and future income from the effects of drought. Government livestock purchases contributed support to cattle prices during the drought when shortages of feed forced a rush to sell off livestock and when gluts threatened to demoralize the markets. One of the tasks that confronted agriculture in the drought area was to carry foundation livestock and adapted seed stocks through the drought period so that these sources of income for a large portion of agriculture would be continued with as little loss as possible. The cattle-buying program, the feed and seed programs, and other drought measures taken by the Government were pointed toward this end.

BENEFIT PAYMENTS 7.3 PERCENT OF FARM CASH INCOME

Benefit payments derived from the proceeds of processing taxes and made to producers in consideration of the adjustment of their production of certain basic commodities have constituted during the 3-year adjustment period approximately 18.2 percent of the farm income from the commodities for which such programs were in effect, and approximately 7.3 percent of the United States cash income from all farm production. These payments were made with respect to production of wheat, cotton, corn and hogs, tobacco, peanuts, sugar and rice.

Rental and benefit payments contributed about 25 percent of the amount by which the average farm cash income in 1933–35 exceeded the cash income of 1932. Such payments averaged about $451,000,000 during the 3 years. The portion of farm cash income contributed by rental and benefit payments for each of the 3 years is shown in table 1.

While in individual cases, as in the drought area, these payments represented important contributions to the income of farmers, their chief function was to serve as a mainspring in the adjustment of production. They were designed to compensate individual farmers who cooperated in bringing their production into line with market requirements, and thus to bring total production into line and effectuate a stronger position for the commodity in question.

PAYMENTS PROPORTIONED TO PARTICIPATION IN FARM INCOME

Producers who cooperated in these programs have participated in the Government's benefit payments in the same proportion in which they have participated in the ownership and operation of farms and in the income from farming.

Authority and responsibility conferred upon the Secretary of Agriculture under the Agricultural Adjustment Act of 1933 were for

the effectuation of the declared policy of Congress to "* * * give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period * * *." The act carried no mandate to make distinction among agricultural commodities on the basis of the identity, financial situation, or individual or corporate character of their producers. Its provisions related to the purchasing power of a group of commodities, to the establishment of a price relation between agricultural and urban products, and to the economic status of farm producers as a group rather than the individual economic status of persons.

The distribution of income in 1929 among farm families and nonfarm families of the United States is indicated in the following tabulation reproduced, by permission, from page 231 of America's Capacity to Consume, by Leven, Moulton, and Warburton, published by the Brookings Institution, Washington, D. C., 1934.

TABLE 4.—*Cumulative distribution of nonfarm and farm families, by income classes, 1929* [1]

Income class (in dollars) [2]	Nonfarm families				Farm families			
	Families		Income		Families		Income	
	Number (in thousands)	Percent	Amount (in millions of dollars)	Percent	Number (in thousands)	Percent	Amount (in millions of dollars)	Percent
Under 0 [3]	50	0.231	—600	—0.858	70	1.207	—15	—0.208
Under 500 [3]	650	2.999	—440	—0.629	1,452	25.035	421	5.853
Under 1,000	2,735	12.619	1,230	1.759	3,164	54.552	1,670	23.215
Under 1,500	7,484	34.530	7,192	10.285	4,169	71.880	2,905	40.382
Under 2,000	11,578	53.419	14,309	20,463	4,776	82.346	3,955	54.978
Under 2,500	14,389	66.389	20,585	29.439	5,169	89.122	4,832	67.169
Under 3,000	16,156	74.542	25,416	36.348	5,390	92.933	5,434	75.537
Under 3,500	17,468	80.595	29,658	42.415	5,525	95.261	5,870	81.598
Under 4,000	18,366	84.738	33,014	47.215	5,620	96.899	6,224	86.519
Under 4,500	19,022	87.765	35,794	51.191	5,682	97.968	6,485	90.147
Under 5,000	19,496	89.952	38,041	54.405	5,722	98.658	6,675	92.788
Under 6,000	20,122	92.840	41,455	59.287	5,762	99.348	6,893	95.819
Under 7,000	20,510	94.630	43,961	62.871	5,781	99.676	7,015	97.515
Under 8,000	20,753	95.751	45,778	65.470	5,790	99.831	7,081	98.433
Under 9,000	20,921	96.526	47,199	67.502	5,794	99.900	7,119	98.961
Under 10,000	21,047	97.107	48,395	69.212	5,796	99.934	7,141	99.267
Under 15,000	21,348	98.496	52,024	74.402	[4] 5,799	99.986	7,178	99.782
Under 20,000	21,455	98.990	53,870	77.042	[4] 5,800	99.996	7,188	99.921
Under 25,000	21,514	99.262	55,176	78.910	[4] 5,800	99.998	7,191	99.963
Under 30,000	21,549	99.423	56,140	80.289	[4] 5,800	99.999	7,192	99.977
Under 40,000	21,589	99.608	57,534	82.283	[4] 5,800	[4] 100.000	7,193	99.991
Under 50,000	21,611	99.710	58,518	83.690	[4] 5,800	[4] 100.000	7,193	99.996
Under 75,000	21,638	99.835	60,133	86.000	[4] 5,800	[4] 100.000	7,194	100.000
Under 100,000	21,650	99.890	61,169	87.482	5,800	100.000	7,194	100.000
Under 250,000	21,666	99.964	63,333	90.577	5,800	100.000	7,194	100.000
Under 500,000	21,670	99.982	64,833	92.722	5,800	100.000	7,194	100.000
All classes	21,674	100.000	69,922	100.000	5,800	100.000	7,194	100.000

[1] Families of 2 or more persons. The distribution above $15,000 is very rough.
[2] Includes income from occupation, investments, and sale of property; also includes imputed income on owned homes, but does not include imputed income on durable consumption goods other than homes.
[3] The estimates for this class are highly tentative.
[4] There were some families in these classes, but the frequencies were too small to show in the units used here.

The extent to which the control of farm land and of other agricultural-producing facilities has been concentrated in the hands of corporations and large holders, some of which are producing organizations and some of which combine the functions of producer and

processor, as in the case of rice and sugar, is a problem accentuated by years of low farm prices which culminated in the loss to their owners of thousands of small farms. Ownership of land became in many cases a liability rather than an asset in the face of the handicaps to agriculture that followed the World War.

The rapid growth of tenancy was in many areas the direct result of conditions that made it increasingly difficult for farmers to make a living. At the height of the depression, farms were passing at an accelerated rate into the hands of banks, insurance companies, and other lending agencies. In some cases, conditions favorable to large-scale holdings and mass production increased the extent of corporate farming practices.

Since large-scale farm operators were an important factor in the surplus production of agricultural products, their cooperation was sought in order to make the adjustment of production effective.

Programs were devised and contracts drawn, to provide for the making of adjustment benefit payments at uniform rates, with regard to each commodity, per unit of production or per unit of land of like productivity on which adjustment was made.

The effect of this application of a uniform rate was that each producer, individual, or corporation, received a benefit payment commensurate with the extent to which he adjusted production.

In accordance with Senate Resolution No. 265 an exhaustive economic and statistical survey of the proportionate relations between rental and benefit payments of large amounts and those of small amounts, is being carried on by the Agricultural Adjustment Administration.

As specified in Senate Resolution No. 265 the survey will compare payments of more than $10,000 to an individual, corporation, or other producer, with payments of less than $10,000.

The preliminary figures thus far available are not based on final figures on the total sum of money a given individual producer has received. It has been possible thus far only to tabulate payments on the basis of contracts, by commodities, and by counties. It has not been possible to put the survey on the basis of tracing the name and total receipts of each individual producer, among the more than 3½ million producers who signed contracts. Thus the preliminary tabulations would regard as separate payments checks issued to the same producer but with respect to contracts involving different commodities, or farms in different counties. Such a producer might have received two or more separate payments on different contracts, none of which would be as large as $10,000 yet whose total might exceed that figure, or he might have received one payment exceeding $10,000 and others of less than that amount. In the former case his total receipts would not appear as a payment in excess of $10,000.

Although these tabulations of payments of $10,000 or more under individual contracts do not give the final data that are being compiled in answer to the Senate resolution, the preliminary reports of such payments are significant as indicating the exceedingly small extent to which such large payments represent any large proportion of the payments disbursed under the major production-control programs.

In the case of the cotton-control program, for example, such payments represented roughly only 1¼ percent of the total payments disbursed in 1934; while persons receiving such payments contributed 1¼ percent to the total cotton reduction by all cooperating farmers under the cotton program. Payments under the 1935 cotton contracts, which are not yet completed, will be of about the same magnitude.

In the wheat program, such large payments represented less than one-half of 1 percent of the total payments disbursed under the wheat program both in 1933 and 1934, and likewise those receiving such payments contributed approximately one-half of 1 percent of the total wheatland held out of production under the program.

Large payments were even less significant in the corn-hog program, representing but one-sixth of 1 percent of the total payments disbursed to farmers in the 1934 corn-hog program. Payments under the 1935 corn-hog program are not yet completed, but will show substantially the same results.

Only in some of the less extensive programs, such as in sugar where a large part of the production is carried on under corporate control, did large payments represent a substantial part of the total funds disbursed. In those cases, however, the contracts also carried positive provisions that the benefits from the program would be passed on to tenants, sharecroppers, and even laborers. The preliminary totals on these smaller programs are not yet available.

As the facts given above indicate, in all the major production-control programs apparently 99 percent or more of the total payments went to the small individual farmers who produced the bulk of the product and who operate the bulk of the agriculture of the country, while the few large payments made served to assure these smaller farmers that the large producers as well as the small were cooperating in the national program.

FARM PRICES ADVANCED 66 PERCENT

The yearly average price of all groups of farm products increased 66 percent during the 3-year period, 1932–35, moving from 65 to 108 percent of the pre-war level. The low point occurred in March 1933 when farm prices were only 55 percent of the pre-war level, while in December 1935 they averaged 110 percent of the pre-war level. These figures do not include rental and benefit payments.

The gain in exchange value of farm products per unit was somewhat less than the gain in farm prices, since prices farmers pay for commodities used in living and production also advanced about 17 percent from 1932 to 1935. The exchange value per unit of farm products increased from 61 percent of the pre-war level in 1932 to 86 percent in 1935, a gain of about 41 percent.

The above figures on the exchange value of farm products give the relation between the prices of farm products and the prices the farmer pays for commodities and services used in farm production and family living, not including interest and taxes however. For a comparison of the general level of agricultural prices on the one hand and nonagricultural prices on the other, it is necessary to turn to a larger group of industrial goods. In 1935 farm prices averaged

74 percent of their 1929 level. For the same year, wholesale prices of nonagricultural products, according to the Bureau of Labor Statistics index, averaged 86 percent of their 1929 level. Thus while the exchange value of farm products increased notably between 1932 and 1935, the farm price level in 1935 was still considerably below the nonagricultural price level, taking 1929 as a base.

While the farmer has made a gain in his share of the consumers' expenditures for food, his share remains smaller than it was in 1929. In 1935, of the consumers' expenditures for 10 foods (beef, pork, poultry, eggs, milk, butter, cheese, potatoes, flour, and bread), about 51.8 percent was absorbed by transportation, processing, marketing and distribution costs. This did not include processing taxes. Including processing taxes with the farmer's price, the farmer received about 48 percent of retail expenditures for these foods. This compares with 35 percent in 1932, and 50 percent in 1929.

DISPARITIES IN FARM PRICE LEVEL NARROWED

In the general farm price decline after 1929 the prices of some products fell more rapidly than did others. In the general increase during the 3-year period, 1932–35, prices of products that had fallen most rapidly from 1929 to 1932 increased most. As a result, in 1935 prices of the various commodity groups were more nearly in line with their pre-war relationship. This is indicated in table 5, showing prices of groups of commodities for 1929, 1932, and 1935.

TABLE 5.—*Index numbers of farm prices of groups of commodities, by years, 1929, 1932, and 1935*

Year	Grains	Cotton and cottonseed	Fruits	Meat animals	Dairy products	Chickens and eggs
1929	120	144	141	156	157	162
1932	44	47	82	63	83	82
1935	103	101	91	118	108	117

In 1929 the prices of chickens and eggs, in relation to the pre-war average, were 35 percent above grain prices. That represented the widest divergence among the group price levels at that time. By 1932 the widest divergence, that between the prices of grains and dairy products, was 89 percent. But by 1935 the divergence between those two groups had lessened to 30 percent, while prices of meat animals were also 30 percent above those of fruit.

In general, the greatest gains in price during the 3-year period, 1932–35, were made by products for which production-control measures had been in effect. Prices of cotton, wheat, tobacco, corn, hogs, rice, and peanuts averaged 49 percent of the pre-war level in 1932, as compared with an average for all other farm products in the same year of 74 percent of the pre-war level. In 1935 both groups averaged 108 percent of the pre-war level. Thus the price recovery of farm products for which production-control programs were in effect amounted to 120 percent as against 46 percent for prices of those commodities for which there were no production-control programs. These comparisons are shown in table 6.

TABLE 6.—*Index numbers of farm prices, by commodities and by groups of commodities, by years, 1929, 1932, and 1935*

[August 1909–July 1914=100]

Commodities under programs [1]	1929	1932	1935	Commodities under programs [1]	1929	1932	1935
Corn	136	44	121	Rice	118	58	92
Cottonseed	159	44	162	Peanuts	98	35	79
Cotton lint	143	47	94				
Wheat	116	44	98	Total	134	49	108
Tobacco	190	100	161	All *other* farm products	156	74	108
Hogs	131	48	118	All farm products	146	65	108

[1] A program was also carried on for sugar, but as farm prices are not available for sugar on this basis, this commodity is not included in these farm-price comparisons.

It is difficult to measure the effect of the adjustment programs on farm-price increases which occurred between 1932 and 1935. Reduced supplies of farm products, dollar devaluation, and improved business activity all had an important bearing on the farm-price advance. In the case of cotton and tobacco, the reduction of supplies can be traced more directly to the adjustment programs than is the case with some other commodities. Drought was an especially important factor in the rapid reduction of supplies of grains and meat animals.

II. SUPPLY OF AGRICULTURAL PRODUCTS 1932–35

During the 3-year period, 1932–35, the volume of total United States agricultural production for both domestic and foreign markets and for home use was about 93 percent of the average volume produced in this country in the years 1924–29.

Total production of crops and livestock in 1933 was 97 percent of the 1924–29 average. In 1934, total production fell to 91 percent of that average, with the true effects of the drought momentarily obscured by unusually large marketings of livestock forced by acute feed shortages due to drought. Total volume for 1935 was about the same as for 1934, but the proportion in which the different commodities contributed to that total, as well as the areas from which the products came, showed notable variations. The output of grains, cotton, vegetables, and fruits was larger in 1935 than in 1934, but these crop increases were offset by a smaller production of meat animals, livestock products, and poultry.

For various groups of commodities, production varied considerably. The 1932–35 average production of grains and cotton and cottonseed was considerably below the 1924–29 average, and production of fruits, vegetables, and truck crops was above that average. For all crops, production was about 77 percent of the 1924–29 average. The 1932–35 production of livestock and livestock products was larger by about 5 percent than the 1925–29 average. In the case of meat animals, however, this slaughter was maintained at the expense of farm inventories.

Estimates indicate that the number of hogs, including pigs, decreased from 62,127,000 on January 1, 1933, to 39,004,000 on January 1, 1935, and recovered to 42,541,000 on January 1, 1936. The number of cattle and calves on farms, which was 70,214,000 on January 1, 1933, increased to 74,262,000 on January 1, 1934 and

declined to 68,213,000 on January 1, 1936. The January 1 figures for the number of sheep and lambs on farms was 53,050,000 in 1933 and 51,673,000 in 1936.

With this lessened production, some of the surpluses were reduced or eliminated. In 1935, there was on hand only a little more than a normal carry-over of wheat and no surplus of livestock. The cotton carry-over was well above normal figures, but decidedly smaller than the 1932–33 carryover which was about three times normal. The surplus of tobacco was cut by about one-third of that which existed in 1932.

The national population increased from about 120 million in 1929 to 127 million in 1935, and domestic requirements were thus increased. On the other hand, the export requirements lessened. In 1924–29, exports took 12.8 percent of the total farm production. In 1935–36, they took only 7.7 percent.

FACTORS IN THE RESTRICTION OF AGRICULTURAL PRODUCTION

The two main factors that tended to reduce agricultural production in the period 1932–35 were drought and the agricultural adjustment programs. The record-breaking drought of 1934 seriously affected 1,187 counties of the States in the center of the country and did lesser but still considerable damage in 270 other counties. The reduction planned in the adjustment programs was calculated to allow for loss of export outlets and was applied to products of which there were surpluses. Drought was the dominant factor in the reduction of feed supplies and the heavy liquidation of livestock due to feed shortage. The adjustment programs were dominant factors in the reduced cotton and tobacco production, surpluses of which existed during the entire period.

Some indication of the influence of drought which reduced crops in 1933 and caused heavy losses in 1934, and that of the adjustment programs, is given by comparing the harvested acreages during that period with the acreage "rented" under the program and taken out of the production of adjusted crops.

The average annual harvested acreage for the period 1930–32 was about 354 million acres. In 1933 the total harvested acreage was about 30 million acres less than the 1930–32 average; in 1934, about 68 million acres less; and in 1935, about 26.5 million acres less.

The total acreage rented under adjustment programs in 1933 was about 10.5 million acres; in 1934, about 36 million acres; and in 1935, about 30 million acres. Many of these acres, including much land in the areas affected by drought, were planted to soil-building crops and to emergency forage and feed. The difference between the rented acreage and the total reduction does, however, give some indication of the amount of reduction due to the drought.

Because of the changes in the supply situation resulting from the drought and from adjustment programs, the problems of agricultural adjustment at the opening of 1935 differed materially from what they had been at the beginning of 1934 and in 1933. In the case of two of the basic commodities, cotton and tobacco, the continued existence of surpluses made the problem of 1935 similar to that of the preceding years, and the program demanded by farmers to meet the situation was again a program of restriction. On the

other hand, available supplies of feedstuffs had been brought below normal by the drought; previous programs or restrictions were consequently revised with a view to expanding the available feed supply per animal unit, conserving meat supplies, and increasing seed stocks.

INCREASES IN IMPORTS

Decreases in 1934 production were only slightly offset by increases in imports of competitive agricultural products. Increases in imports were particularly marked in the case of grains. The 1934–35 production of wheat, corn, rye, oats, barley, and flaxseed totaled approximately 2.4 billion bushels less than the average total production for the 10-year period, 1922–23 to 1931–32, inclusive. The 1934–35 imports of these grains were about 77 million bushels larger than the annual average imports during the 10-year period. Increased imports thus account for less than 3½ percent of the production deficit.

The production-control programs do not appear to have been a significant factor in the increased imports of grain. Of the grains mentioned above, production-control programs were in effect only for wheat and corn. Marked increases also occurred in imports of oats, rye, and barley, for which no adjustment programs were in effect. Imports of all grains reached their peak in the latter portion of the 1934–35 marketing year and dropped rapidly during the early months of the 1935–36 crop year as production levels returned more nearly to normal.

The drought operated indirectly on meat products by cutting feed supplies and forcing the marketing and slaughter of livestock in late 1934 with a subsequent reduction in domestic supplies. Its effect on meat products therefore became evident later than in the case of grains. Imports of beef and veal averaged 2 percent of federally inspected slaughter of cattle and calves during the period 1923–32, only 1.7 percent in 1934, and 3.8 percent in 1935. Imports of pork products averaged only 0.1 percent of federally inspected United States pork slaughter in the 10-year period; only 0.02 percent in 1934 and 0.2 percent in 1935.

III. AGRICULTURE'S CONTRIBUTION TO RECOVERY

The attempt to restore farm income under the Agricultural Adjustment Act had as its primary purpose the improvement of the American farmer's situation. But it was also undertaken in the belief that improved farm buying power would be passed on to the industrial areas of the country and there further stimulate national industrial recovery.

The output of factories using nonagricultural raw materials increased from 39 percent of their 1929 volume in early 1933 to about 75 percent of their 1929 volume at the end of 1935. The extent to which this was due to the stimulus of purchases by farmers, is indicated by the following figures.

The accumulation, in the hands of farmers, of funds out of which they could make purchases is indicated by an improvement of about 69 percent in 1935 as compared with 1932, in demand deposits of Federal Reserve member banks in country districts. Bank debits

were up by approximately the same amount, indicating that the funds were in circulation. Bank failures in country districts almost ceased.

Sales of agricultural implements, fertilizer, and feed, all products of industries directly dependent on farmers' buying power, reflected a definite revival of demand between 1932 and 1934. Bureau of Agricultural Economics estimates of farmers' expenditures for machinery, tractors, and repairs show that after falling from $513,000,000 in 1929 to $106,000,000 in 1932, these expenditures rose to $190,000,000 in 1934. Expenditures for feed, seed, and fertilizer, after declining from $1,228,000,000 in 1929 to $540,000,000 in 1932, recovered to $598,000,000 in 1934.

According to the Automobile Manufacturers' Association, new passenger-car registrations on farms and in towns under 10,000 went up 36 percent in 1934 as compared with 1933, and sales of gasoline rose correspondingly. Bureau of Agricultural Economics estimates of farmers' expenditures for automobiles and trucks were $403,000,000 in 1929, $80,000,000 in 1932, and $185,000,000 in 1934.

RURAL RETAIL SALES INCREASE SHARPLY

Perhaps the most striking figures on the effect of agricultural depression and recovery are those on rural retail sales.

Between 1929 and 1932, rural retail sales and sales by mail-order companies declined from 9.2 billion dollars to 3.9 billion dollars. This decline of 5.3 billion dollars accounted for about 23 percent of the 23½ billion-dollar contraction in total national retail business, which decreased from 49.1 billion dollars to 25.6 billion dollars during the period.

The 1935 rural retail sales and sales by mail-order companies are estimated at 6.7 billion dollars, an increase of about 2.8 billion dollars over those of 1932. Total national retail trade for 1935 is estimated at 32.6 billion dollars, an increase of 7 billion dollars over that of 1932. Thus increased rural retail sales accounted for about 40 percent of the increase in total retail trade.

On the assumption that it takes the same amount of employment to produce a dollar's worth of goods for the rural market as for the urban market, it appears that 40 percent of the city reemployment contingent upon retail trade between 1933 and 1935 had farm orders as a basis.

When the Agricultural Adjustment Act was adopted, it was assumed that increasing the income from certain basic crops would result in a stimulus to general business, with resulting increased consumer purchasing power, particularly in the industrial areas of the country. It also was assumed that this increased consumer purchasing power would be reflected back to agriculture. The foregoing facts tend to support that assumption.

IMPROVEMENT LIMITED BY CITY BUYING POWER

By 1935 agriculture's contribution to the national income had once again reached its 1929 proportion. Restoration of the farm market had gone about as far as the current volume and distribution of city purchasing power would permit, and further immediate industrial stimulus from increased farm purchasing power could

hardly be anticipated. It was estimated that 11½ million—22.6 percent—of the country's gainful workers were still unemployed, with factory production at 75 percent of its 1929 level. Resumption of industrial activity, to bring these unemployed into the economic scene as producers of nonagricultural goods and services and as self-supporting consumers of farm products, is the joint concern of agriculture and industry alike. While by 1935 the per capita purchasing power of persons on farms was still below the per capita purchasing power of employed wage and salary workers, by 1935 a number of factors, among which the adjustment effort was important, had combined to bring the country's farm and city working populations into a fair balance with one another in the production and consumption of the things that make up the current American standard of living. In the joint effort which further improvement of that standard requires, the next impetus in substantial part awaits increased industrial production at prices which current markets are prepared to pay.

IV. CONSERVATION AND EFFECTIVE UTILIZATION OF SOIL

The foundation for profitable farming, as well as for continuing adequate supplies of farm products for the Nation, is soil fertility. Years of ruinously low prices tended increasingly to force farmers into soil exploitation. Sound farm practices which conserve and restore soil nutrients were slighted or abandoned as farmers concentrated on the production of an ever-larger volume in the effort to obtain a living income by the sale of a larger number of low-priced units. The capital that the farmer had in his soil was being drained off into current income. Under such exploitation, soil-fertility becomes a fugitive asset.

The layer of topsoil in which soil nutrients are concentrated is the basis for profitable agriculture. Grass affords a protective covering for that topsoil. Ruthless application of the plow to this covering has characterized the agricultural history of the United States. The Soil Conservation Service, on the basis of a survey in 1935, reported that from one-fourth to three-fourths of the topsoil has been lost on more than 115,000,000 acres, and that the greater part of an area of 44,000,000 acres, which once had been cultivated and which was once good soil, had been ruined for crop production.

Such losses eventually mean an increase in the cost of producing farm commodities. Had exploitation of land resources continued at the preadjustment rate, it would have been a matter of only a few decades before the Nation would pay dearly for soil waste in higher prices for food and fiber.

RETURN TO GRASS SHOULD BE ENCOURAGED

Prior to the application of adjustment measures, agriculture had pushed the trend of land use too far away from grass. Under the impetus of the adjustment programs, this trend is being reversed.

Much of our land-use problem is concerned with the 360 million to 365 million acres of land that was cultivated in the pre-adjustment period. Normally, about two-thirds of the crop produced was used

to feed livestock. The use of a larger portion of this acreage to produce feed in the form of pasture and roughage is in line with sound farm practices of soil conservation, and lessens the cost of producing milk and meat.

Adequate pasture, legumes, and reserve roughage are regulators that enable the farmers to cope with drought or with damage to crops from insects, freezing, or disease. Established sods and emergency forage crops can best be relied upon to withstand adverse conditions and to get through the most unfavorable growing seasons with the least injury. Well-established meadows and accumulations of supplies of forage crops on the farm can be depended upon to carry breeding stock and feeders through bad seasons at least expense.

BETTER PRICES AND RENTED ACRES ENCOURAGE BETTER SOIL USE

In the past 3 years, two factors have contributed to better soil use. One factor was increased farm income and prices which have eased the pressure that had forced farmers to mine their soil. Farm prices should be high enough to allow the farmers to use careful farming methods that will maintain their soil fertility, preserve their capital investment, and maintain their incomes at better levels in the long run.

The other factor in the trend toward better soil uses was encouragement given by the production-adjustment programs, to shift from plowed crops to feeding crops that improve fertility and provide a cover protection against erosion. For, while increasing farm prices was the primary purpose of the adjustment programs and control of production and elimination of surpluses the means employed by them, in operation they also had the effect of making possible more careful use of land.

In 1934 a total of 35,767,899 acres rented to the Secretary of Agriculture—about one-tenth of the Nation's total cultivated acreage—was shifted out of the production of corn, wheat, cotton, and tobacco. In 1935, production on approximately 31,000,000 acres was thus shifted.

Under the production-adjustment contracts this land could be used for erosion-preventing and soil-improving crops (new seedings of pasture and legumes), constructive fallow to control weeds and conserve moisture, emergency forage crops to meet drought feed shortages, planting of trees, and for home feed and food crops in deficiency areas. A high percentage of the rented acres was used for these different purposes.

A decided increase in pasture, a wider adoption of rotation systems that improve the soil through the use of such soil-building crops as alfalfa, soybeans, and lespedeza, coincided with adjustment programs which sought to increase the use of close cover and soil-building crops, and were in considerable part due to the application of these programs.

CENSUS REPORTS CONFIRM INCREASES

In the Southeast, and in Texas and Oklahoma, where the adjustment shift was away from cotton and tobacco production, 1935 Census reports show that the 1934 total pasturage acreage had

increased 19 million acres, or 15 percent above the 1929 acreage reported by the 1930 Census. Hay and sorghums increased by 4,609,063 acres, or 60 percent above the 1929 acreage.

The census reports for the Corn Belt States of Ohio, Missouri, Indiana, and Iowa show an increase in pasture from 37,799,340 acres in 1929 to 42,787,452 in 1934.

Available reports indicate that the alfalfa acreage for the country as a whole increased 14 percent from 1934 to 1935. Other legumes, such as lespedeza and soybeans, showed marked increases.

Recent reports of the Bureau of Agricultural Economics indicate that lespedeza, harvested for seed purposes, has increased more than twofold, the average acreage harvested for seed in 1929–32 being 122,825 acres, and in 1935, 249,900 acres. The increase in lespedeza used for pasture is estimated to be even greater. These increases came partly and perhaps largely on the rented acres. This valuable legume is outstanding as a soil-improving and erosion-preventing crop in the southern Corn Belt and northern Cotton Belt States.

In part as a product of the adjustment programs the soybean acreage of the Nation more than tripled during the 3 years of the production-control programs. The average acreage for 1928–32 was reported by the United States Department of Agriculture as being 793,000 acres, and for 1935 as 2,379,000 acres. This crop was largely grown on the acreage retired from corn in 1934 and 1935 and on the contracted wheat and cotton acreage, in accordance with the terms of the contracts.

During the period while the production-control programs were in effect, the legume acreage in Illinois was increased by 55 percent; and in Minnesota, it is estimated that more than two-thirds of over 900,000 acres contracted in connection with the wheat and corn-hog programs were used in 1934 for emergency forage crops and new seedings of alfalfa and pasture.

It appears evident that while the planting of soil-building and erosion-preventing crops was incidental to the main purpose of the Agricultural Adjustment Act, which was to raise farm prices, a substantial beginning in the direction of better land use was made.

V. APPLICATION OF ADJUSTMENT MEASURES

The Agricultural Adjustment Act, its subsequent amendments, and related legislation up to the end of 1935, provided five principal methods for the adjustment of agriculture. These variations in the adjustment approach provided the flexibility needed for adapting adjustment programs to different products and different situations. The methods provided were:

1. Production control through voluntary contracts between the Secretary of Agriculture and individual producers of basic commodities.
2. Marketing agreements entered into by the Secretary of Agriculture with processors, handlers, producers, and associations of producers, and orders issued by the Secretary.
3. Removal from marketing channels of surpluses that depressed farm prices, and expansion of markets for such commodities.

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4. Tax programs applied to the marketing of certain agricultural commodities in excess of quota allotments.

5. Holding reserve supplies of certain food, feed and fiber crops to protect both farmers and consumers from extreme price fluctuations.

Disbursements by the Agricultural Adjustment Administration during the 3-year period totaled $1,529,144,039. Of this, $1,108,322,870, or more than three-fourths, was disbursed as rental and benefit payments. This is exclusive of disbursements from cotton options. About one-sixth of the total, or $233,402,217, was expended for removal of surplus, including drought purchases of livestock, feed, and seed, and eradication of diseased cattle.

Administrative expenses for the 3-year period amounted to about 79 million dollars, about half of which was expended in Washington and half in the field. This does not include the county control association expenses incurred with respect to the wheat, corn-hogs, tobacco, and sugar programs, which totaled nearly 27 million dollars, paid by farmers out of rental and benefit payments. Including county association expenses, administrative expenses were about 7 percent of the total adjustment expenditures.

For cotton, administrative expenditures for the voluntary and Bankhead programs totaled $29,597,984, or about 8.2 percent of the total cotton-adjustment expenditure, exclusive of cotton options disbursed in lieu of benefit payments. Administrative expenditures for the voluntary programs totaled $19,001,089, or 5.2 percent of the total expenditure, and for the Bankhead program, $10,596,895, or about 3 percent of the total cotton-adjustment expenditure.

For wheat, administrative expenditures totaled $15,249,614, or about 5.5 percent of the total wheat-adjustment expenditure. Of this amount, $7,902,714 represented county association expenses. Since the major portion of the administrative work in connection with the second 1935 payment had been completed, although the payments had not been made, the percentage that administrative expenses were of total disbursements is actually about 1 percent less than 5.5 percent.

For tobacco, administrative expenditures for the voluntary programs designed to meet a series of difficult and variegated problems, and for the Kerr Tobacco Act, totaled $5,210,138, or about 8.9 percent of the total tobacco-adjustment expenditure. Of this amount $743,337 was county association expense.

For corn and hogs, administrative expenses totaled $28,980,314, or about 6.3 percent of the total corn-hog adjustment expenditure. Of this amount, $17,836,352 was county association expenses. Since approximately $6,250,000 of the estimated $9,500,000 county association expenses for the 1935 program was paid previous to December 31, 1935, and there remained at that time about $100,000,000 adjustment benefit payments still to be made, the administrative expenses would be somewhat less than 5.5 percent of the total.

For sugar, administrative expenses totaled $2,573,049, or about 4.3 percent of the total sugar-adjustment expenditure. County association expenses were $339,460 of this amount.

For removal and conservation of surplus, drought relief, and disease eradication, administrative expenditures were $10,877,341, or about 4.4 percent of the total amount expended for these purposes.

These figures on the relative cost of administration cover the major items in the adjustment expenditures.

Funds made available to the Agricultural Adjustment Administration totaled $1,938,705,970. Of this total, advances from the Treasury in anticipation of processing and related taxes contributed $1,359,665,795. All but $418,222,131 of the Treasury advances had been retired by processing tax collections as of January 1, 1936. On that date, expenditures by the Agricultural Adjustment Administration were less by $409,591,931 than the total funds from which the Administration was then authorized to make withdrawals.

PRODUCTION-CONTROL PROGRAMS APPLIED TO EIGHT COMMODITIES

1. Total acreage covered by contracts:[1]	*Acres*
1933	91, 882, 000
1934	144, 884, 000
1935	150, 543, 000
2. Total acreage rented under contracts:	
1933	10, 507, 000
1934	35, 768, 000
1935	30, 337, 000
3. Contracts in effect:	*Number*
1933	1, 625, 765
1934	3, 097, 740
1935	3, 392, 000

[1] Acreage in cultivation on July 1, except for the 1933 figure, which allows for 10,497,000 acres removed from cultivation of cotton after July 1. The figures include rented acreage.

The United States preadjustment acreage in cultivation approximated from 360 to 365 million acres. This acreage had sufficed to supply both domestic and export requirements for cultivated crops at a time when this country's exports of agricultural commodities were at a peak. The existence of huge surpluses of export crops was evidence that too much of the cultivated acreage was producing these crops after export outlets had been drastically curtailed.

The production-control programs were designed to bring production for export down to export requirements, while continuing production for domestic consumption at the former levels. The intent was to use for other purposes a part of the cultivated acreage that had been producing surplus crops. Signers of production-control contracts agreed to shift a portion of their acreage from these surplus crops.

FIFTEEN BASIC COMMODITIES DESIGNATED

Adjustment through the use of production control was applicable to 15 commodities designated as basic by the Agricultural Adjustment Act at the close of 1935. These commodities were: wheat, cotton, corn and hogs, milk and its products, tobacco, rice, cattle, sugar beets and sugarcane, peanuts, rye, flax, barley, grain sorghums, and potatoes. Originally, the Act listed the first seven of these commodities as basic. Except for potatoes, the remainder were designated as basic by amendment in 1934. Potatoes were made a basic commodity by amendment in 1935.

In 1935 production-control programs were in effect for eight of these commodities: wheat, cotton, corn and hogs, tobacco, rice, sugar beets and sugarcane, and peanuts. These programs were made effective at various times and only a few have been in operation continuously since adjustment measures were first applied in 1933. Toward the close of 1935, programs to be applied in 1936 to rye and potatoes, were planned.

In 1932 approximately 205,600,000 acres in cultivation were producing commodities to which production-control programs were later applied.

In 1933 approximately 194,000,000 acres were producing such commodities, and of this acreage, 91,882,000 acres, including rented acreage, were covered by production-control contracts.

In 1934 approximately 162,882,000 acres were producing adjusted products on July 1, and 144,884,000 acres, including rented acreage, were covered by contracts.

In 1935 approximately 180,129,000 acres were producing adjusted products, and 150,543,000 acres, including rented acres, were covered by contracts.

RENTED ACREAGE PROVIDES ADJUSTMENT MARGIN

In 1933 rented acreage shifted from the production of adjusted crops was 10.5 million acres. This was all cotton acreage plowed up before the cotton was harvested, but too late to permit planting a replacement crop on the rented acres. In 1934 the rented acreage approximated 36 million acres, about 10 percent of the Nation's pre-adjustment crop acreage. However, restrictions on this acreage were lifted because of the drought feed shortage, and most of it in the drought area was used to grow crops that would provide feeds. In 1935 the rented acreage approximated 30 million acres. In general, much of the rented acreage was used in an increased production of crops beneficial to the soil.

It was recognized in administering the program that the adjustment problem involved more than merely the reduction of existing surpluses. The problem was more fundamental. It involved also excess acreage which threatened surpluses if used to produce export crops for which foreign outlets no longer existed. The extent to which surpluses have been reduced or controlled during the 3-year period subsequent to 1932 is set forth in the discussion of adjustment as it was applied to individual commodities.

Production adjustment contracts in effect in 1935 totaled 3.350,000. This compared with 1,925,000 in effect in 1933, and approximately 3,000,000 in 1934. This is not an accurate figure on the number of farmers receiving benefit payments. Some farmers signed more than one contract. A number of farmers frequently received benefit payments under a single contract. The best estimates indicate that the number of farmers and farm owners who received such payments was larger than the number of contracts in effect in a given year.

Total rental and benefit payments on the eight commodities for which production adjustment programs were in effect are estimated at $1,324,718,000. Of this amount, $1,108,322,870 had been dis-

bursed on December 31, 1935, leaving an undisbursed balance of $216,395,130. In addition, disbursements from cotton-option profits in lieu of cash benefits under the 1933 cotton program totaled $66,105,177 on December 31, 1935.

Such payments were intended to return to cooperating farmers on commodities produced for domestic consumption as much as possible of the difference between current market prices and parity prices which would give these commodities the same exchange value that they had in the pre-war period.

The processing taxes and benefit payments tended to eliminate the depressing effect of the world price level from the domestic market. They gave to the cooperating producer prices for the domestically consumed portion of his production that were considerably closer to parity than the amount he received for commodities exported at the world price level.

LEGISLATIVE AND ADMINISTRATIVE CHANGES IN PROGRAMS

Since their inception the production-adjustment programs have undergone change of both a legislative and administrative nature.

The production-control programs for cotton and tobacco were supplemented by the Bankhead Cotton Act and the Kerr-Smith Tobacco Act each of which imposed a tax on the sale of that portion of the commodity to which the act applied, above quotas established for individual producers. The Potato Act of 1935 sought to apply the same principle to potatoes beginning late in 1935.

Amendments adopted by the 74th Congress effected important changes in the Agricultural Adjustment Act. Under these amendments the Secretary of Agriculture was directed rather than authorized to investigate, make findings, and put into effect specific corrective measures under specified conditions. "Parity" calculations were revised to include mortgage and interest charges and taxes in the index of prices farmers pay for commodities and services. The amendments authorized the Secretary, with the producers' consent, to make benefit payments in kind in lieu of cash.

Administrative changes tended to effect a trend toward decentralization, by which both policy making and administration of details were brought closer to the individual farms.

FARMERS PLAYED INCREASING PART IN DIRECTING POLICY

Consultation with farm leaders and farmers has been a progressively important feature of the Agricultural Adjustment Administration's policy. When the first emergency programs were formulated, pressure of time left little opportunity to sound out the sentiment of the individual farmers, but advisory delegations of farm leaders took a vital part in shaping the act in 1933.

As soon as that act came into operation, the democratic basis of the programs was broadened by the formulation of county control associations for most of the basic commodities for which voluntary control plans were undertaken. Approximately 4,600 such associations were in operation in 1935. The executive committees of these associations became the administrators of the details of the pro-

grams, which were thus shifted away from Washington to the communities directly concerned.

Because of this development, within the 3-year period, 1933–35, much progress was made in increasing the flexibility of the programs, and in refining of broad rules to make allowance for conditions peculiar to individual farms and regions. The trend in the contracts was away from the historical base and toward an appraisal of individual farms for production capacity. This was particularly evident in preparations for the programs that were proposed for 1936 and subsequent years.

In addition to their county control associations, farmers had a further mechanism for democratic expression of opinion in the referenda which provided for direct polls among producers of five of the basic commodities. Six referenda were held in 1934 and 1935 among producers of wheat, cotton, tobacco, and corn and hogs. The total vote cast in these referenda was 4,288,510, of which 3,707,642 votes were cast for continuance of various production-control measures. Both signers and nonsigners of adjustment contracts voted in the referenda. Classified by commodities, the vote for continuance of production control measures ranged from 67 to more than 95 percent.

The experience of acting together in community and county groups functioning in a national program has been shared, between 1933 and 1936, by more than half of the Nation's 6.5 million farmers. The results of this experience are a widely shared understanding of the problems common to the various branches of American agriculture.

PROGRAMS LARGELY SELF-LIQUIDATING

The extent to which the voluntary programs were self-liquidating up to the time of the Supreme Court decision in the Hoosac Mills case is indicated by a comparison of the processing and related tax collections with total expenditures under the programs.

Total expenditures from Treasury advances in anticipation of the collection of these taxes, from the inauguration of the program, were $1,233,434,514.71. This compares with collections of taxes totaling $937,448,234.44, which is $295,986,280.27 less than expenditures from advances.

Most of the disparity between expenditures from Treasury advances and collections to retire these advances is due to the breakdown of processing tax collections caused by a flood of injunctive cases brought by processors and granted in the lower courts in 1935, and by the Hoosac Mills decision of the Supreme Court.

Processing and related taxes assessed up to the end of 1935 totaled $1,219,460,660.62. Had all these taxes assessed been paid into the Treasury, collections at the close of the year would have fallen short of expenditures from these advances by about 14 million dollars.

Allowing for a 90-day lag between tax assessment and collection, it appears that expenditures would have been covered by collections.

The extent to which each of the voluntary commodity programs was covered by processing and related tax collections, and the extent to which costs would have been covered had all processing taxes assessed been paid into the Treasury, are shown in table 7.

TABLE 7.—*Processing taxes assessed, taxes collected, and expenditures from Treasury advances, by commodities, May 12, 1933, through Dec. 31, 1935*

Commodity programs	Processing taxes assessed	Collections	Expenditures
Cotton	$347,953,982.42	$260,359,565.80	$376,655,790.56
Wheat	319,464,228.25	250,628,889.43	275,187,668.55
Tobacco	66,131,689.81	63,628,155.02	57,104,917.36
Corn and hogs	366,978,553.40	282,313,391.63	439,798,807.80
Sugar	107,628,608.23	100,327,146.67	58,138,411.60
Peanuts	5,856,775.63	3,702,920.00	3,535,014.20
Rice	4,506,588.58	671,106.03	10,783,888.76
Rye	940,234.30	145,829.89	2,897.75
Dairy products			1,003,650.48
Undistributed		364,304.48	1,223,467.65
Total	1,219,460,660.62	[1] 962,141,308.95	1,233,434,514.71

[1] Of this amount segregated funds totaling $24,693,074 were not available for retiring Treasury advances.

Expenditures given in the above table include all those made from Treasury advances in anticipation of processing and related tax collections. They include processing-tax refunds and collections and expenses under the Bankhead Cotton Act with respect to cotton, since these expenditures were made from Treasury advances. They exclude, however, rental and benefit payments on sugar aggregating $1,569,903.76 from the Puerto Rico trust fund which was set aside for that purpose from processing taxes. Since these disbursements did not come from Treasury advances the figure does not include $66,105,177 disbursed as cotton option profits in lieu of benefit payments in connection with the 1933 cotton program.

MARKETING AGREEMENTS, LICENSES, AND ORDERS

Under the Agricultural Adjustment Act, marketing plans of a type utilized by cooperative groups long before the adoption of the Act, have been further developed. The principal method of improving conditions for producers of nonbasic commodities has been by means of marketing agreements and licenses. Under the 1935 amendments to the act, the licenses are eventually to be replaced by orders.

The essentials of the marketing-agreement program under the act are similar to those of earlier marketing plans. However, the program supplements these plans in two important particulars.

First, licenses and orders under the act provide a means of making marketing agreement programs effective on minority groups not signatory to the agreements. This serves to prevent a small minority from thwarting the efforts of the majority of producers for establishing a stabilized marketing structure. Second, the Agricultural Adjustment Act provides immunity of such agreements from the operations of the antitrust laws, thereby facilitating an approach to interstate marketing problems.

Since the Agricultural Adjustment Act was adopted, 54 marketing agreements, 84 licenses, and 2 orders have been put into effect. Some of these initial programs were discontinued. Others have been replaced by other types of adjustment measures. There were 17 marketing agreements, 44 licenses, and 1 order in effect on December 31, 1935.

Marketing agreements and licenses have been used by producers of dairy products, fruits, vegetables, and naval stores. Various specific devices have been used for different commodities. Milk licenses provide for a marketing plan to establish uniform producers' prices. In the case of general crops, such as fruits, vegetables, and nuts, regulating the flow of market supply has been the principal method employed.

In addition to products just listed, marketing agreements and licenses have been used as emergency measures to aid producers of a variety of products for which other means of assistance were later utilized under the Adjustment Act.

Marketing agreements were the primary means of obtaining higher prices for tobacco growers in 1933, on the assurance from growers that they would adjust acreages in 1934 and 1935. With the exception of the agreement for Connecticut Valley shade-grown tobacco, these agreements were followed by production-adjustment contracts with growers.

In the 1933–34 season a marketing agreement was utilized as a supplement to the wheat production-adjustment program to remove a surplus of wheat through export from the Pacific Northwest.

A marketing agreement in effect in the peanut-milling industry to establish minimum prices for the 1933 crop was superseded by a production-adjustment program. A production-adjustment program for rice was put into effect in 1935, replacing marketing agreements previously used by the rice milling industry.

The Schechter decision by the United States Supreme Court in May 1935 did not directly relate to the Agricultural Adjustment Act, but its legal implications were felt upon the marketing-agreement programs then in operation. Because of the questions which that decision raised concerning such programs, effective legal enforcement of the licenses was hampered.

Amendments to the Agricultural Adjustment Act adopted in August 1935 replaced licenses with orders, specifically limited in their application. Under the amendments, orders were made applicable to only the following commodities and their products: Milk, fruits (including pecans and walnuts but not including apples, and not including fruits for canning except olives), tobacco, vegetables (not including vegetables for canning other than asparagus), soybeans, and naval stores as included in the Naval Stores Act. It is noteworthy that during the period, January–August 1935, when legal enforcement of licenses was difficult, and before Congress made possible the enforcement of marketing agreements by orders, a number of the licenses already in operation were considered sufficiently vital to be continued in effect through mutual agreement of the parties concerned.

The local costs of administering marketing agreements, licenses, and orders are borne by the industry concerned. In the case of milk, the program in a marketing area is administered by a market administrator; in the case of other commodities, the agreement is administered by a control committee representing producers and handlers.

Experience with the operation of marketing agreements and licenses has demonstrated that these measures are most effective when applied in an area where the majority of producers are mem-

bers of a strong cooperative, where the producing area is highly concentrated, and where marketing channels are definitely established.

SURPLUS-REMOVAL PROGRAMS

The bulk of the agricultural commodities purchased under surplus removal programs was donated to relief.

Expenditures for such commodities, made for removal and conservation of surplus and in drought-relief programs, totaled 204 million dollars at the close of the year 1935. The total estimated recovery value of commodities acquired through these expenditures is 201 million dollars, which includes cash recovered from the sale of the products, the value of commodities distributed to the needy and unemployed, and commodities still remaining on hand.

These activities included expenditures for surplus removal of dairy products, sugar, and hogs and pork products under the emergency hog buying and supplemental programs. Surplus cattle, sheep, and goats, which otherwise might have died of starvation and thirst, were purchased under the drought-relief program. Drought-relief activities also included purchases of feed, forage, and seed for sale and distribution to farmers in drought areas.

Surplus removal of products not donated to relief included expenditure of $6,097,239 for export of wheat from the Pacific Northwest; $750,583 for diversion of surplus peanuts; and $18,683,101 for indemnities under cattle disease eradication programs.

PROGRAMS FOR TAXING MARKETINGS IN EXCESS OF ALLOTMENTS

Programs under which taxes are levied for marketings in excess of quotas supplemented adjustment programs for cotton and certain types of tobacco during two seasons. A similar program for potatoes was initiated late in 1935. Following the Hoosac Mills decision of the Supreme Court, the Bankhead Cotton Act, the Kerr Tobacco Act, and the Potato Act of 1935 were repealed early in 1936.

Bankhead Cotton Act.—Under the Bankhead Cotton Act a levy was made on cotton marketed in excess of the national quota in the 1934–35 and 1935–36 seasons. For the 1934–35 season the national quota was set in the act as 10,460,251 (net weight 478 pounds) bales. The levy for cotton marketed in excess of this quota was 5.67 cents per pound of lint. As compared with this quota, production for the season totaled 9,636,000 bales.

The provisions of the act were continued into the 1935–36 season after more than 89 percent of cotton producers participating in a referendum favored its continuance. The national quota for this season was established by the Secretary of Agriculture at 10,983.264 bales. The levy was set at 6 cents per pound of lint on June 12, 1935, and changed to 5.47 cents on October 21, 1935. As compared with the national quota, total production for the season is estimated at 10,638,000 bales.

At the close of 1935 the total ginning tax collected under the act was $1,420,910. The cost of administration for the same period totaled $10,596,895.

Kerr Tobacco Act.—Under the Kerr Tobacco Act, a tax equal to 25 percent of the gross sales value was levied on the sale of all tobacco

harvested in the crop year, 1934–35, except Maryland, Virginia sun-cured, and cigar-leaf tobacco. Tax-payment warrants with which to pay the tax on sales under their contracts were issued to contract signers. Such warrants also were issued to growers for whom no equitable allotment could be obtained under a contract. Tax-payment warrants were issued on about 851 million pounds of tobacco for the season, and taxes were paid in cash on about 101 million pounds.

As the result of a referendum in which more than 96 percent of the land voted was voted in favor of continuance of the Kerr Act, provisions of the act were continued into the 1935–36 season. A levy was made for the season equal to 33⅓ percent of the sales value of all tobacco harvested in the crop year except Maryland type 32, Georgia and Florida cigar-leaf types 45 and 62, Connecticut Valley shade-grown tobacco type 61, and Puerto Rican type 46.

Tobacco sales taxes collected as of December 31, 1935, totaled $3,995,154. Administrative expenditures totaled $636,296.

Potato Act of 1935.—Under the Potato Act of 1935, approved on August 24, a tax of three-fourths cent per pound on sales of potatoes in excess of a national tax-exempt sales allotment, went into effect on December 1, 1935. The 1936 sales allotment was set under the act at 226,600,000 bushels. The allotment was approximately equal to the average sales for the period 1929–33. Potato sales tax collections totaled $275 as of December 31, 1935.

COMMODITY-LOAN PROGRAMS

Support has been given to farm prices of cotton, corn, and gum turpentine and rosin through loans made through the Commodity Credit Corporation, a corporation created under the laws of the State of Delaware on October 17, 1933. This corporation's entire capital stock of $3,000,000 was subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration, who hold it jointly for and on behalf of the United States.

Loans extended to producers at 4 percent interest, and repayments made to the close of 1935, are as follows:

Commodity and Program	Loans extended	Repayments
Cotton:		
1933 program	$120,498,491.26	$120,181,159.32
1934 program	282,643,977.97	13,667,255.02
1935 program	3,028,269.01	170,535.14
Corn:		
1933 program	121,841,265.41	121,841,265.41
1934 program	11,042,392.08	11,042,392.08
1935 program	6,582,539.25	737.50
Gum turpentine and rosin	6,922,505.13	921,446.14

These loans were tied in with the production adjustment programs, which, until they were terminated by the Hoosac Mills decision, tended to assure that supplies would be so controlled as to protect the value of the Government's security. Through these loans and the prospect of a future adjustment program, farmers could protect themselves against unusual price slumps, stabilize their markets, and spread over large numbers of producers the profits of price improvement which hitherto had gone into the hands of a relatively few speculators.

Under provisions in the 1935 amendments to the Agricultural Adjustment Act, the Secretary was authorized to acquire title to agricultural commodities pledged as security on Government loans, conditioned on compliance with adjustment programs, and turn these products over to producers themselves in lieu of cash benefit payments. This plan had been intended to provide for building up reserves of food and feed supplies to tide over periods of shortage.

THE POSITION OF THE BASIC COMMODITIES AT THE END OF 1935

The Agricultural Adjustment Administration has repeatedly emphasized the difficulty of estimating the net effects on farm prices of the production control programs. Devaluation of the dollar, efforts of the credit and other agencies of the Government to strengthen the business position and the purchasing power of both the agricultural and the urban population groups, and the other forces tending toward recovery, have all operated in the same field as the Agricultural Adjustment Administration. In addition to the effects of legislative and economic efforts to restore agricultural income and buying power, weight must be given to the effect of the drought of 1934, which caused a rise in prices of some farm products, especially grains and livestock, and improved the income of those farmers whom its ravages had left with something to sell, at the same time that it made unanticipated reductions in supply. A review of the position of the basic commodities at the end of 1935 with all of these factors clearly in view does, however, throw considerable light upon the operation of the agricultural adjustment programs. The figures for 1935 are in most cases preliminary.

Cotton.—On August 1, 1935, the world carry-over of American cotton was about 9,000,000 bales. While this carry-over had been considerably reduced from that of August 1, 1933, which was over 11.5 million bales, it was still 3,000,000 bales larger than the average for the 10-year period 1923–33.

The 1934–35 world consumption of American cotton was about 2.8 million bales less than that of 1932–33, only a portion of this decline being accounted for by a decrease of about 700,000 bales in exports.

Decreased production more than equaled the decline in consumption. Because of an exceptionally favorable season, 1933 production was more than 13 million bales, despite a reduction of nearly 4.5 million bales due to the plow-up. In 1935 about 14 million acres were shifted from production of cotton to uses permitted under the contract under which this acreage was rented to the Secretary of Agriculture, and over 90 percent of the nearly 28 million acres actually planted to cotton was covered by about 1,300,000 adjustment contracts.

Including adjustment payments, estimated cash income from 1935 cotton production is over $400,000,000 larger than the income in 1932, which was $464,330,000. Of the 1935 income about one-fifth is represented by rental and other adjustment payments. The average price per pound of lint received by producers for the 1934–35 crop was 11.1 cents, as compared with 6.5 cents for the 1932–33 crop.

The cotton-adjustment program was supplemented by the Bankhead Act, which taxed marketings in excess of national and state quotas in an effort to keep expansion of acreage by noncontract signers at a minimum. The growers' referendum held in accordance with this act on December 14, 1934, favored its continuance by about 9 to 1.

Loans on cotton were extended to growers in 1933, 1934, and 1935, at 10 cents per pound in 1933 and 1935, and 12 cents in 1934.

On December 31, 1935, approximately 4.5 million bales of cotton were held by the Commodity Credit Corporation as collateral for loans, and the 1933 Cotton Producers Pool, the agency established to market the cotton acquired by the Federal Farm Board, had reduced its holdings from approximately 2.4 million bales to 1.4 million bales, including 820,000 bales of future contracts. Thus the total amount of cotton under Government control approximated 6 million bales.

At the beginning of 1936 the Government had under consideration the development of a marketing policy which would reduce the amount of cotton under loans and held in the pool. The demand for the 1935–36 crop, both for export and domestic consumption, was such that current production was moving into consumptive channels at an unprecedentedly rapid rate. Stocks of free cotton outside of Government holdings were becoming scarce, particularly those types which were in greatest demand. At the beginning of 1936, it appeared that, if demand conditions continued at the rate indicated during the first half of the season, a reasonable prospect existed for a reduction of Government holdings from both pool and loan stocks of about 2 million bales by the end of the marketing year, July 31, 1936.

Wheat.—On July 1, 1933, the wheat carry-over was 393 million bushels. On July 1, 1935, it was 152 million bushels. Wheat exports fell from a 5-year average of 110 million bushels for the period 1928–29 to 1932–33, to a net import of 4 million bushels for 1934–35. This change was due chiefly to vanished foreign markets and to imports of certain kinds of wheat attracted by high prices following the drought. The farm price of wheat rose from 37.9 cents per bushel for the 1932–33 season to 84.7 cents for the 1934–35 season. Cash income from wheat for the 1932 crop year was 196 million dollars; for the 1935 crop year, 481 million dollars, including 116 million dollars adjustment payments. Under the 1934 program, 577,254 adjustment contracts were signed in 37 States. In 1934, about 60 million acres were seeded to wheat; over 51 million acres were under contract, and 15 percent of these were retired. Because of the drought, slightly over 30 percent of the entire acreage seeded was abandoned. For the farmers of many of these areas, benefit payments served as crop insurance, and constituted a large part of the year's farm cash income. In 1935 about 66 million acres were seeded. In view of the preceding year's drought damage, the percentage of the approximately 51 million acres under contract that was required to be retired, was reduced from 15 percent to 10 percent, or about 5 million acres. When weather conditions improved, only 25.5 percent of the entire acreage seeded was abandoned. At the close of 1935, in view of the lack of fundamental change in the export outlook, the problem before the wheat growers of the country

was a problem of excess acreage. Seedings for 1935 took place on about 6 million more acres than in 1934; only about 400,000 acres of these additional seedings were put in by cooperating farmers under the revised 1935 contract. The acreage of noncontract signers increased by approximately 38 percent over their plantings in the base period. Average domestic requirements for American wheat are 625 million bushels. For the 5 years prior to the program, average production was 860 million bushels.

Corn-hogs.—Farm cash income from corn and hogs increased from 597 million dollars in 1932 to an estimated 981 million dollars, including adjustment payments, in 1935. Rental and benefit payments with respect to 1935 production accounted for about 186 million dollars of the 1935 income. The weighted average farm price of hogs for 1932 was $3.44 per hundredweight as compared with $8.36 for 1935. The farm price of corn advanced from 28.1 cents per bushel in 1932 to 57.7 cents for 1935. Hog numbers on January 1, 1936 totaled about 42.5 million head, as compared with about 62 million on January 1, 1933.

Removal of price-depressing surpluses was the major problem confronting the corn-hog industry in 1933. The hog surplus was evidenced in ruinously low prices.

A series of emergency measures were used. As a surplus corrective, the emergency hog purchase program removed nearly 6.5 million pigs and piggy sows from the market in the autumn of 1933. This program was supplemented late in 1933 and early in 1934 by the purchase of 1,400,000 live hogs and of pork products equivalent to about 600,000 more head. The 1933 corn loan program resulted in the storing of about 268 million bushels of corn.

These emergency hog purchases had the effect of maintaining hog prices at a level substantially higher than otherwise would have been the case, providing meat for poor families, and reducing hog numbers before the feed shortage occasioned by the drought of 1934. The stored corn made available a larger supply of corn during the drought.

These emergency steps were followed by the production-adjustment program for corn and hogs which got under way in 1934. The situation confronting not only corn and hog producers but the whole Nation as well was suddenly and radically changed by drought. The corn-hog program, along with other plans, was altered to meet the drought. The corn-hog regulations were revised to encourage the planting of emergency feed and forage. Steps were taken to enable farmers to conserve feed and livestock so as to carry a moderate number of breeding stock through the winter of 1934–35.

Under the 1934 adjustment program, over 1,150,000 contracts were made for an approximately 25 percent reduction in the year's corn and hog production. The contracts called for a reduction of 13 million pigs below the 1932–33 average. The drought completely altered the prospect for corn and hog producers. It caused crop failure and resulted in heavy liquidation of livestock in about 20 States. With normal yields, the acreage planted to corn would have produced about 2.2 billion bushels of corn. An actual crop of less than 1.4 billion bushels was harvested in 1934. Such a short feed crop forced a curtailment of hog supplies far beyond anything contemplated by the corn-hog program. Farmers could save only the

hogs for which they had feed. The number of pigs saved from 1934 litters was about 26 million less than the 1927–33 average.

The corn-hog problem in 1935 was no longer one of existing surpluses. With the gradual cessation of drought, the need for a balance of supplies and prices in the industry became evident. The problem was to prevent increases in hog numbers from going beyond desirable limits. Without adjustment, a large feed supply with limited animal numbers was in prospect. Invariably in the past a large corn crop with small hog numbers has been reflected in greatly increased hog numbers in about 18 to 24 months, and in subsequent lower prices. No fewer than 10 such cycles have occurred since 1890. The question whether a program should be undertaken in 1935 to stabilize corn supplies was put up to the farmers themselves.

A referendum in the autumn of 1934 favored continuance of corn-hog adjustment by a vote of more than 2 to 1. About 990,000 contracts were signed for 1935. More than 11.7 million corn acres were rented under the program. Market hog production was provided for up to 90 percent of the 1932–33 average. The program permitted a possible increase of 15 percent over the 1934 program. In 1935 hog prices still were far out of line with corn prices and it appeared that corn production might need to be stabilized in order to prevent a situation that would mean very low hog prices by late 1937. A program to moderate the hog cycle was planned. The question of desirability of the undertaking again was put up to the farmers. They voted 6 to 1 for a new program in a referendum October 26, 1935.

Tobacco.—With the reduction of surplus tobacco stocks that had existed early in 1933, substantial increases in growers' prices occurred. About one-third of the total surplus for all types of tobacco has been removed, and for some types virtually all of the excess stocks have been eliminated.

Cash income from the sale of tobacco in 1932–33 approximated 108 million dollars. In the 3 subsequent years cash income, including rental and benefit payments, averaged about 225 million dollars yearly. Rental and benefit payment disbursals contributed an annual average of a little more than 20 million dollars to this income increase. The bulk of the increase in tobacco farmers' income, therefore, is attributable to increases in prices.

In 1933, production adjustments were made only in the case of cigar-leaf tobacco. The growing season was too far advanced for application of such measures to other types. With growers expressing a willingness to adjust production in 1934, domestic buyers agreed, under six marketing agreements, to pay higher prices for the 1933 crop of principal kinds of tobacco. It is estimated that receipts from the 1933 tobacco crop were thus increased by approximately 45 million dollars.

Production adjustment programs were applied to six principal types of tobacco. Two-year programs were put into effect in 1934 for all types except cigar-leaf tobacco, for which a 3-year program was put under way in 1933.

In 1935, contracts in effect under these programs totaled 369,456. The contracts covered over 2 million acres, more than 95 percent of the base tobacco acreage. Referenda on the continuance of the programs after 1935 were held in June and July of that year. More

than 72 percent of all those eligible voted in the election, and of those voting more than 95 percent voted for continuance of the program.

The adjustment programs were supplemented by the Kerr Tobacco Act in the 1934–35 and 1935–36 crop years.

Sugar.—The sugar problem differed from that of many of the other commodities for which adjustment programs were undertaken, because about three-fourths of the sugar consumed in the United States is produced in areas outside the continental United States, mainly Cuba, Hawaii, Puerto Rico, and the Philippine Islands. Before the program began, United States producers had no effective protection against increasing sugar supplies, low prices, and shrinking income.

In 1934 the Jones-Costigan amendment to the Agricultural Adjustment Act made possible the regulation of supplies of sugar entering the United States market from the various producing areas. These supplies were regulated through a system of quotas which assured each area a definite share in the United States market. Supplementing the quotas, production-adjustment programs were undertaken in most of the areas, and benefit payments were made to producers in these areas. As a result of these measures, the surplus supplies of sugar produced for the American market have been brought to about a normal figure, the price of sugar has improved, and the income of producers has been increased substantially over what it would have been in the absence of a program.

Carry-over sugar stocks in the areas supplying the United States market totaled approximately a million tons at the beginning of 1934. At the beginning of 1936 these stocks were at a more normal figure of 120,000 tons. Cash income of continental sugar-beet and sugarcane producers was about 56 million dollars in 1932 and 75 million dollars for 1935, including benefit payments. The major share of the increased income came from benefit payments to producers, as there was little change in the farm prices received by producers. This was especially true in the sugar-beet areas, which comprise the major share of the continental sugar production. Deficiency payments to sugar-beet producers who suffered drought losses served as a form of crop-income insurance for them.

Peanuts.—Adjustment of peanuts was worked out first under a marketing agreement and then under a production-control program. The price of the 1932 crop averaged 1.47 cents per pound; of the 1935 crop, 3.2 cents. Farm cash income from peanuts was about 13 million dollars in 1932; it was over 34 million dollars in 1935, exclusive of $3,520,000 benefit payments.

The marketing agreement and license effective from January 27, to October 1, 1934, provided for minimum prices to growers. The adjustment program announced at the end of September 1934, to succeed the marketing agreement provided for a limitation of acreage in 1935, and also for the diversion of part of the 1934 crop to use as peanut oil and as feed for livestock.

Some 153 million pounds of peanuts were diverted from normal trade channels under the 1934 program.

Out of an estimated total of 88,000 commercial growers, 68,622 signed adjustment contracts for 1935. Increases in acreage by non-

contracting growers, and unusually high yields per acre, caused the total production for 1935 to exceed that of 1934 by about 19 percent. The diversion program for 1935 anticipated the removal of possibly as much as 270 million pounds from use in the edible trade. Diversion programs on the scale of the 1934 and 1935 efforts have been made possible by the lower-than-usual supply of vegetable oils and other fats.

Rice.—The carry-over of rice on August 1, 1932, was 220 million pounds as contrasted with 81 million pounds in 1930. On August 1, 1935, it was 77 million pounds. The farm price of rice was 41.9 cents in the 1932 season; it was 70.1 cents in December 1935. The farm value of the rice crop of the United States increased from $17,264,000 in 1932 to $33,511,000, including rental and benefit payments, in 1935.

In 1933 and 1934, rice growers were aided by marketing agreements, entered into by the California rice millers in September 1933, and the southern rice millers in October of that year. These agreements provided for acreage control to become effective in the spring of 1934. In April 1935 the DeRouen rice bill was enacted as an amendment to the Agricultural Adjustment Act, and an adjustment program was developed of the type applied to the other basic commodities. By December 16, 1935, a preliminary count indicated that almost 10,000 rice adjustment contracts had been signed.

Exports of rice fell from 225 million pounds in 1929 to 128 million pounds in 1932. The increase in prices following the inauguration of the marketing agreement of 1933 attracted foreign rice to the American market, but the levying of a compensating tax on imports under the 1935 adjustment program, and the refund of the processing tax on American rice exported, served to maintain the domestic price while permitting exports at world levels.

Dairy products.—The number of milk cows 2 years old and over on farms in the United States, which increased prior to 1934, has declined from about 27 million head on January 1, 1934, to about 25.6 million head on January 1, 1936. The average productive capacity of cows on farms, however, is higher than it has been for several years. Both prices and income have improved for dairy products since 1932. Farm prices for dairy products in 1932 averaged about 82 percent of the pre-war level. In 1935 the average was 108 percent of the pre-war level. Farm cash income from dairy products was about 985 million dollars in 1932. For 1935 it is estimated at about 1¼ billion dollars.

While dairy products were designated as a basic commodity in the Agricultural Adjustment Act, the industry did not accept an adjustment program for milk and its products comparable to the programs used by producers of such commodities as cotton and wheat. Improvement was, however, facilitated by the following measures:

Milk licenses and marketing agreements were in effect at some time between May 1933 and January 1936 in 52 fluid-milk sales areas, and a national license was in operation for the evaporated-milk industry; a national marketing agreement was in effect for the evaporated-milk industry and for the dry skim-milk industry.

In periods of low prices Government purchases for relief distribution removed considerable quantities of butter, cheese, dry skim milk, and evaporated milk from commercial channels. The total

expended for dairy products under the surplus relief program amounted to over 22 million dollars.

While the emergency purchases of livestock under the drought-relief program applied mostly to beef cattle, a considerable number of dairy cows were bought in areas of most acute feed shortage.

Reduction of the number of diseased cattle under the Jones-Connally Act, which provided indemnities for the elimination of animals reacting to tuberculosis and Bang's disease tests, has greatly improved the condition of dairy herds, has been a sound public health measure, and probably has temporarily had some favorable effects on dairy prices. Federal expenditures for the elimination of diseased dairy cattle amount to over 18 million dollars.

Rye.—While the farm value of the rye crop increased from about 11 million dollars in 1932 to 22 million dollars in 1935, there was only a small improvement in price. The average farm price for rye in 1932 was 27.6 cents per bushel. The average farm price for 1935 was 38.4 cents, less than half of fair exchange value. The large 1935 crop of nearly 58 million bushels, when added to carry-over, was twice the estimated annual domestic requirements of 32 million bushels, and export possibilities were very limited.

Rye was made a basic commodity by an amendment to the Agricultural Adjustment Act approved April 7, 1934. By an amendment approved August 24, 1935, a processing tax of 30 cents per bushel was levied on rye processed for domestic consumption. The tax became effective on September 1, 1935. Collections totaled about $146,000, and about $700,000 was held up by court action.

An adjustment program was formulated for the 1936 crop. The contracts provided for payments to producers who would adjust their acreage of rye harvested as grain to 75 percent of their past acreage harvested as grain. Payments were to be made on 30 percent of each signer's average yearly production. No payments had been disbursed at the close of the year.

Potatoes.—Potatoes were added to the list of basic commodities by the Potato Act of 1935. The average farm price of potatoes was 39.6 cents per bushel in 1932; it was 58.6 cents in 1935. The farm value of the 1932 crop approximated 141 million dollars; it was about 209 million dollars in 1935. A program formulated under the act included a plan for diversion of part of the crop to nonfood uses, marketing agreements to apply to the 1935 crop, and a system of national quotas applicable to the commercial crop, to be operated through tax-exempt sales allotments in a manner comparable to the Bankhead and Kerr provisions for cotton and tobacco. Except for the tax on potatoes, which went into effect on December 1, 1935, none of these measures became operative before the close of the year. A marketing plan for the surplus-late-potato States was under consideration. Because of a rise in the price of potatoes, the diversion plan was not needed.

Cattle.—As compared with 1932, farm prices and value of cattle and calves on farms were somewhat better in 1935. The value of cattle and calves on farms and ranges on January 1, 1936, is estimated at $2,326,000,000 as compared with $1,386,000,000 on January 1, 1933. The number on farms for those two dates respectively were

68,200,000 and 70,200,000. Thus, despite a decrease in numbers of about 2 million, cattle and calves were worth about a billion dollars more.

Farm prices for cattle averaged $6.21 per hundred in 1935, as compared with $4.25 in 1932; for calves $7.10 in 1935 and $4.91 in 1932.

Cattle and calves on farms and on ranges on January 1, 1934, totaled about 74.3 million head, an increase of about 22 percent over the number on January 1, 1930. Originally, cattle were not defined as a basic commodity in the Agricultural Adjustment Act. Negotiations with meat packers for a marketing agreement for cattle were begun in 1933 and carried into 1934, but the agreement was not completed.

In 1934 cattle were made a basic commodity and the formulation of a production-control program was begun. The program, however, was not put into effect. The drought-caused feed shortage resulted in heavy forced liquidation, and the emergency cattle buying program was instituted in 1934 to permit the conservation for relief purposes of meat from animals which farmers could not feed. Under this program nearly 8.3 million head of cattle were purchased. The program made possible more orderly liquidation. It aided farmers in carrying breeding stock through the winter period. Since the poorest cattle were sold, the average quality of breeding stock left on farms in the drought area was improved.

Other basic commodities.—Basic commodities for which adjustment programs were not put into effect prior to the close of 1935 are flax, barley, and grain sorghums. Some indication of the economic position of producers of these commodities may be obtained from a comparison of farm value and price in 1932 and 1935.

The average farm price of flaxseed in 1935 was about $1.47 per bushel, as compared with 88.1 cents in 1932. The farm value is estimated at 22 million dollars in 1935, and 10.3 million dollars in 1932.

The average farm price of barley in 1935 was 38.1 cents per bushel, as compared with 22 cents in 1932. The estimated farm value of the 1935 crop is about 111 million dollars; in 1932 it was about 66 million.

The average farm price of grain sorghums was 50.9 cents per bushel in 1935, and 29.4 cents in 1932. The 1935 farm value is estimated at about 53 million dollars, as compared with 20 million dollars in 1932.

Other crops.—In addition to the programs for basic commodities reported above, the Agricultural Adjustment Act provided for assistance to producers of other crops by means of marketing agreements, licenses, and orders. The facts about milk licenses and agreements have been presented under the section on Dairy Products. Besides the measures applied to milk, since the enactment of the Agricultural Adjustment Act, marketing agreement and license programs have been made effective for 25 general crops, such as fruits, vegetables, and nuts. Fourteen of these programs were in operation during all or a portion of the 1935 marketing season. They involved 19 different commodities produced in 13 States by approximately 80,150 growers. The estimated farm value of these

19 crops aggregated $134,815,000 in 1935 as compared with $120,000,000 in 1934 and $96,905,000 in 1933. The crops showing the greatest increases in farm value have been California-Arizona oranges and grapefruit, California asparagus for canning, Florida celery, and walnuts grown in the Pacific Coast States.

VI. EFFECT OF SUPREME COURT DECISION

The decisions of the Supreme Court, in the *Hoosac Mills case* invalidating the production-control programs, and in the Rice Millers case refunding processing taxes to processors, necessitated many changes, some of them sweeping, in fiscal plans and other operations corollary to the production-control programs which were stopped.

In its decision in the so-called *Hoosac Mills case*, January 6, 1936, the majority of the Supreme Court of the United States held that the production-control activities that had been carried on by the Agricultural Adjustment Administration by means of contracts under the Agricultural Adjustment Act of 1933, were unconstitutional. The decision did not affect the following functions that have been exercised by the Department of Agriculture under that act and related legislation: Establishment and enforcement of marketing agreements and orders; surplus-removal operations; loans on agricultural commodities; eradication of diseased animals; and the establishment of quotas for the importation of sugar and the allotment of such quotas. In Public Act, 440, Seventy-fourth Congress, approved February 11, 1936, there were appropriated funds to complete benefit payments for performances rendered by farmers in connection with production-adjustment contracts that had been entered into or had been applied for before January 6, 1936, where such farmers had partially or substantially complied with the requirements of the production-adjustment program.

Final statistical studies of all the production-control programs are not possible now because liquidation of the programs, started immediately after January 6, will not be completed for some time.

AGRICULTURAL ADJUSTMENT 1933 TO 1935

CHAPTER 1

PRODUCTION PLANNING

Agricultural planning should help to overcome lags in production responses and to develop adjustments in the interest of good farming and soil conservation, more rapidly and effectively than would be the case under noncooperative or purely competitive individual action. National planning for agriculture should seek not only to balance total production with market requirements so as to aid farmers in obtaining their fair share of the national income, but also to develop a sound land-use program in which the interest of both the consumers and the farmers may be best served.

To accomplish these ends, it is necessary that planning from the national point of view and planning from the regional or local point of view be closely synthesized and coordinated. Planning from the national point of view is necessary in order to balance total production with total effective domestic and foreign demand, while planning from the regional or local point of view is necessary in order to assure good farm management and soil conservation. Regional agricultural planning is a coordinated effort on the part of farmers and all governmental agencies dealing with agriculture, to determine in a type-of-farming region or regional subdivision, the most desirable utilization of land, labor, and other resources and the kind of action which is needed to bring about such utilization. This type of coordinated national and regional planning has been carried on by the Agricultural Adjustment Administration through 1934 and 1935.

I. NEEDED VOLUME OF PRODUCTION

To begin with there was considered the question of the total volume of production needed to give domestic consumers an adequate annual supply of food and materials for clothing each year, and to supply such products as can be effectively exported.

A first answer to such a question can best be obtained by considering normal or average requirements as measured by the recommended consumption and exports in the recent past, and by carefully considering such changes as may be expected to develop in the next few years.

CONSUMPTION STABLE THROUGH 1919–34

The average per-capita consumption of foodstuffs in the United States, whether measured in terms of pounds, calories, or acreages required, remained remarkably stable from 1919–20 into 1933–34. This per-capita consumption of foodstuffs, in terms of estimated

weight available in the retail market in the United States, averaged about 1,422 pounds for the period 1920–24, about 1,474 pounds for the period 1925–29, and about 1,454 pounds for the period 1930–33.[1] Altogether, an average per-capita consumption of food equal to that which prevailed in the years 1925–29, could be supplied for the present population of about 127,000,000 persons, from the yields of 285 to 290 million average acres of harvested crop land. It is doubtful whether the average per-capita consumption of food in the near future will be increased above the level which prevailed in the period 1925–29.

Average consumption of nonfood products shows greater variation than that of foodstuffs, chiefly because of rapid changes in industrial demand within short periods of time. About 20 million average acres of harvested crop land would supply our present population with nonfood products at the level which prevailed in 1930–33, and about 25 million acres would supply our population at the level which prevailed in the period 1925–29.

Acreage requirements for agricultural exports have steadily declined since the World War, and it is doubtful whether more than a gradual upswing can be expected. The acreage at average yields required to supply our exports declined from 84,000,000 in 1920–21 to 39,000,000 in 1933–34.[2] With average yields again in 1935 and with reciprocal trade treaties completed and in effect with Cuba, Belgium, Haiti, Sweden, Canada, and Brazil, some increase in the acreage required for exports in 1935–36 can be expected.

COUNTRY HAS EXCESS OF HARVESTED ACRES

Everything considered, however, it is doubtful whether the acreage needed for domestic consumption and foreign trade will exceed 340 to 350 million average acres of harvested crop land in the years just ahead. The actual acreage of crop land harvested averaged 360 to 365 million acres for the period 1928 through 1932, and this acreage could be easily equaled again if it were needed. As a result this country is faced with an excess acreage equivalent to 10 to 25 million harvested acres of crop land at average yields, if such land were left idle. A shift of 20 to 40 million acres would be required if intensive crops were replaced by hay and pasture and no more than the usual amount of land were left idle. If adjustment were effected by retiring submarginal crop land, an acreage equally large or larger would be required.

II. GOOD FARM MANAGEMENT AND SOIL CONSERVATION

The question of changes in cropping systems and in farming practices that are needed in order to obtain the most efficient use of labor and equipment and to retard or prevent soil erosion and soil depletion, is important, as well as the question of the national volume of production needed. Any continuing agricultural program should provide for soil conservation and good farm management.

[1] See table 54, average per-capita consumption of principal agricultural products, 1920–33, Agricultural Adjustment in 1934, U. S. Department of Agriculture, March 1935.
[2] See table 56, Exports of principal agricultural commodities and acreage equivalent, 1919–20 to 1933–34, Agricultural Adjustment in 1934, U. S. Department of Agriculture, March 1935.

Obviously, agriculture as a whole may be expected to produce such quantities of food and raw materials as are needed for domestic commerce and as can be effectively exported. But it is a different matter to expect farmers to expend their labor and mine their soil in order to produce so much as to force prices down to a subsistence level for even the most efficient and to accumulate surplus stocks such as existed in 1932 and 1933.

NATION-WIDE STUDY CARRIED ON

In order to determine the changes in cropping systems and practices that are needed, and the effect of these changes upon production, the Agricultural Adjustment Administration, together with other agencies of the Department of Agriculture, worked with the 48 State-experiment stations on a regional adjustment project in the summer and fall of 1935. The agricultural workers in each of the 48 States undertook to recommend systems of farming or ranching which would check or prevent soil depletion and soil erosion and which would tend to encourage the adoption of practices which would lower costs of production in each type of farming area within the State. The effect of the adoption of these systems of farming upon acreage and production was also estimated.

In considering the results of this study, it should be noted that attention was centered primarily upon soil conservation, and that the recommendations with respect to the systems of farming and methods of production were made without giving full consideration to the other economic factors involved, and must be so interpreted. It is desirable, however, to know the effect of the changes needed from a physical standpoint before price and the other economic factors in question are taken into consideration.

A summary of the changes that were proposed in the course of this regional adjustment project is shown in table 8.

TABLE 8.—*Summary of changes proposed in regional adjustment project* [1]

[Millions of units]

Commodity	1929–30 or normal [2]			Short-time recommendation [3]		Long-time recommendation [3]	
	Acres or number	Production: Unit	Production: Total	Acres or number	Production	Acres or number	Production
Corn	98	Bushels	2,510	86	2,248	86	2 452
Oats	38	do	1,130	37	1,076	37	1,197
Barley	13	do	304	14	348	14	379
All hay	68	Tons	83	81	110	81	115
Wheat	62	Bushels	878	52	722	52	788
Cotton	43	Bales	15.6	38	14.0	38	14.6
Tobacco	1.9	Pounds	1,448	1.9	1,446	1.9	1,525
All cattle	60	Hundredweight	132	64	136	66	143
Hogs	55	do	151	51	134	54	141
Sheep and lambs	51	do	20	53	21	55	22
Milk [4]	22.9	Gallons	11,593	25.0	13,050	26.0	13,916

[1] Recommended acreages, number, and production needed for efficient farm management and soil conservation summarized from State reports by Production Planning Section and Division of Farm Management.

[2] The data for "1929–30 or normal" were obtained by using census acreages for 1929, average crop yields for 1922–31, except cotton yields for 1928–32, livestock numbers on Jan. 1, 1930, and livestock production for the calendar year 1930.

[3] Short-time recommendation is for period 1936–1940, long-time recommendation represents results expected at end of 10-year period, or about 1946. Crops and livestock for California and Florida carried at 1935 level since recommendations were not submitted.

[4] Cows and heifers 2 years old or over kept mainly for milk, and gallons of milk produced.

OBJECTIVE TO CHECK SOIL DEPLETION AND EROSION

For the Corn Belt, the chief changes recommended were a reduction in acreages of corn and oats, and a corresponding increase in acreages of soybeans, hay, and pasture, as compared with the acreages which prevailed before 1934. These changes were designed to result in a less intensive type of farming, to check soil depletion and soil erosion, and to remove some of the poorer land from cultivation. The shift from corn to hay and pasture, needed to bring about proper use of land, would apparently be accompanied by a decrease in the number of hogs kept, as compared with the large number on hand in 1932 or 1933, although an increase, as compared with the number on hand at present, would be indicated.

For the South, the chief recommendations were a decrease in cotton acreage and production below the 1929 level, and increases in the production of all Southern feed crops except corn. These recommended changes were designed to lessen soil depletion and control soil erosion and to furnish a more adequate feed base for livestock production in the South, which production would be used to improve the standard of living of farmers and farm workers in the South, rather than for the commercial market.

For the wheat-producing regions of the Great Plains and the Pacific Northwest, the chief recommendation was a decrease in the acreage of wheat from the level which prevailed up to 1933 or 1934. It was recommended that, in part, the decreases in all of the major wheat regions be accounted for by taking low-yielding land out of production.

For the semiarid range region, the chief recommendation was a slight decrease in the number of sheep and cattle carried on the range from the low level which prevailed in 1930 or 1935, with some increase in hay production in order to obtain a more ample supply of winter feed. For the Northeast, the recommendations indicate that it would be desirable to stabilize agricultural production at about the present level, since soil erosion is not a serious problem, especially in New England.

In general, the changes in acreage and production recommended by State agricultural workers are in the same direction as the changes which are needed from the standpoint of national agricultural adjustment. But the degree or extent of the changes involved is not exactly the same, and on several commodities the recommendations made from the land-use standpoint would need to be modified in view of the present outlook from the demand standpoint.

III. COUNTY AGRICULTURAL ADJUSTMENT PLANNING

In order to provide for greater participation by farmers in the formulation and administration of adjustment programs and to establish an effective procedure for the interchange of facts and judgment between the local and central agencies, the county agricultural adjustment project was inaugurated in cooperation with the Extension Service. As a first step in this program, the farmers in each county were asked to determine changes in local cropping systems necessary to maintain fertility and control erosion, and the effects of such changes on production.

ADJUSTMENT-PLANNING COMMITTEES SET UP

To begin with, adjustment-planning committees of 10 to 20 members, representing the various agricultural interests of the counties, were established. The first committees were organized in October 1935, and such committees were established in some of the counties in practically every State by the end of 1935. Each committee, with the assistance of community committees and subcommittees, undertook to build a long-time adjustment program for its county, giving first attention to the question of soil conservation.

The necessary background material was provided largely by the Extension Service in the various States. In some States at least 2,500 local meetings were held. While this work was being done, each committee studied the relation of production trends in its county to those of the State and Nation. In this way, the committee equipped itself to serve effectively as an integral part of the whole process of national-program development.

It is intended that the first task should be finished by April 1936. When all county committees in a given State have made their reports the results will be compared with those obtained in the regional-adjustment project. Conferences will then be held with the county committees for the purpose of correcting discrepancies and obtaining general agreement between the recommendations developed by the county committee and those developed by the State and Federal agencies in the regional-adjustment project. Estimates agreed upon in this manner will be summarized into State, regional, and National totals and are expected to serve as valuable guides in the development of any continuing agricultural program. In the future, the county committees should collaborate with State or Federal agencies concerning any question of mutual interest which may be raised.

EARLIER ACTIVITIES PROVIDE FOUNDATION

The agricultural outlook, together with farm management and other extension work, are the foundations upon which the present project is built. These earlier activities were all designed to assist farmers in making such adjustments as could be brought about by individual action. But now that a coordinating agency exists, it is possible to focus outlook and extension work on the development of programs which require not only local action but also regional or national action.

Farming is one of the most individualistic occupations of the Nation and producers of such staples as wheat, corn, and cotton have thus far been unable to develop adequate collective controls without the centralizing power of the Federal Government. To maintain the benefits of the controls evolved in the emergency, farmers must think through the relationship between local and national problems, and assume increasing responsibility for the development of any future program. In the development of such a program, a first-hand knowledge of farming is indispensable if adjustments are to fit local conditions and effectively promote soil conservation, good farm-management practice, and the sound use of land.

In its activities toward developing a long-time national agricultural program, the administration in 1935 gave such attention to

coordinating the agricultural-adjustment and soil-conservation goals. The problem appeared to be, "How could farmers best obtain an agricultural program based on proper land use, and what kind of administrative organization was needed?"

PROGRAMS CONSIDERED FOR 1936 PROVIDED FLEXIBILITY

The regional-adjustment and county-planning projects, especially, were designed to supply information with respect to the kind of adjustments most needed from the standpoint of soil conservation and good farm management. In 1935 the administration believed, however, that a program which recognized the need for regional adjustment and soil conservation could best be developed by a gradual shift, rather than an abrupt shift, from the type of programs which had been in operation in 1934 and 1935. To this end, a very considerable flexibility was provided for in the programs that were under consideration for 1936.

Provision was made for establishing more equitable corn and hog bases for 1936 and 1937, through the use of the "appraisal method" for establishing bases. Under this method, community and county committeemen would have recommended an appraised base to the Secretary after they had considered not only the crop history of the particular farm in question, but also the type of soil, slope of land, drainage, equipment, type of farming followed, and other factors bearing on the customary farming practices on the farm in question. Such a method would have allowed upward adjustment in the bases of producers who, because of abnormal circumstances, would have been penalized by a strict historical base, and downward adjustment in the bases of those producers who would have received an abnormally high base through the use of the historical method. It also would have increased the responsibility of county and community committeemen in administration of the farm program.

In the proposed wheat program, a degree of flexibility in establishing bases had been provided for by giving community and county committees authority to raise the wheat base of a farm on which the ratio between acreage of wheat and total cropland was as much as 25 percent under the average for the community or county, and to lower the wheat base on a farm where the ratio was as much as 25 percent above the average, so long as the acreage allotted to the community or county was not increased. The proposed wheat program would also have allowed farmers to continue established rotations, even if in a particular year the acreage of wheat exceeded the average allotted acreage for the farm.

In the proposed tobacco program, the community and county committees were to have been authorized to consider soil, equipment, and other factors influencing tobacco production, as well as crop history, and to establish nonhistorical bases, provided no individual's historical base was reduced more than 10 percent, and provided the sum of the individual bases allowed in any county was not greater than the quota established by the Tobacco Section.

NEW APPROACH TO USE OF ADJUSTED ACRES

An additional step toward providing for the proper use of land was the proposal for an alternative approach to the use of the contracted

or adjusted acreage. Under the proposed corn-hog and wheat contracts for 1936, farmers who wished to cooperate were to have agreed to devote to soil-improving or erosion-preventing crops, pasture, fallow, and forest, a total acreage equal to the acreage ordinarily devoted to such uses, plus the acreage retired from production of any basic commodity or commodities under an adjustment contract. As a result, specific contracted or adjusted acres would not have been staked out, and the authorized uses of acreages retired from production of basic commodities would have been widened as compared with those authorized in 1934 and 1935.

Cooperative arrangements were being worked out with the Soil Conservation Service in allotment of acreage for commodities under agricultural adjustment contracts on farms also under contract with the Soil Conservation Service. These allotments would have taken into consideration not only the crop history of each farm but also the distribution of the basic and other crops needed to promote good farm management and soil conservation as recommended by the Soil Conservation Service.

Although the modifications which have just been described would have represented an important step in the direction of soil conservation and regionalization, they would still have left much to be desired. The development of an agricultural program which will balance supplies with effective demand and which will at the same time be flexible enough to generally encourage soil conservation and good farm management is a continuing task.

CHAPTER 2

REPLACEMENT CROPS

The program of balancing the production of basic commodity crops encouraged a shifting in the use of part of the land previously devoted to corn, wheat, cotton, and tobacco, which was of great benefit to American agriculture. In directing the use of the contracted or rented acres, such sound farm practices were advanced as the planting of crops for soil improvement and erosion control; the growing of emergency forage crops to meet the drought shortages; and the planting of farm wood lots; and fallowing to conserve moisture and control weeds.

During the time in which the production-adjustment programs were in effect, farmers planted an increased acreage of legumes and grasses for pastures and established meadows and of erosion-preventing and soil-improving crops in general. In connection with the cotton and tobacco contracts, the production of food and feed crops for use by the farm family, or for feeding livestock producing for the farm family, has been increased.

Immediate and lasting benefits of the production-adjustment programs are their increasing tendency to encourage the adoption of sound rotation practices that involve a much needed increase in the acreage of soil-building and soil-conserving grasses and legumes. This has long been recommended by far-sighted farmers and by the agricultural authorities of the land grant colleges as a result of years of farm experience and careful research in agronomy, livestock production, and farm management at the various State and Federal experiment stations.

Increased income, augmented by benefit payments, which relieved farmers of the necessity of exploiting their soil to obtain from it every cent possible regardless of the future productivity of their farms is one factor that started a shift toward better soil uses. Another factor in starting this shift was the fact that acreage was rented under adjustment contracts and was withdrawn under the adjustment contract from intensive production of cash crops.

Authorized uses of rented or contracted acres were being gradually adapted to local and climatic conditions by county control committees and agricultural agents. These acres were being increasingly devoted to plantings of soil-improving and soil-protecting crops; to terracing, strip-cropping, and other erosion-preventing purposes; and to free planting for posts, windbreaks, and farm wood lots; and to fallowing to conserve moisture and control weeds.

I. EXTENT OF CONTRACTED ACREAGE

In accordance with the cotton contracts signed in 1933 there were turned under 10,497,437 acres of growing cotton. This course was

determined upon because the cotton crop had been planted and the prospect of a heavy surplus of this commodity already existed when the Agricultural Adjustment Act was passed.

The act carried the following clause in regard to the use of land taken out of cotton production that year: "Section 6 (c) . . . *Provided further*, That such agreement to curtail cotton production shall contain a further provision that such producer shall not use the land taken out of cotton production for the production for sale, directly or indirectly, of any other nationally produced agricultural commodity or product." The cotton plow-up came too late to permit the development of a replacement crop program on the acreage plowed up in 1933.

OVER 35 MILLION ACRES SHIFTED IN 1934

In 1934, the following year, 35,767,899 acres were shifted from the production of cotton, corn, wheat, and tobacco. Table 9 shows the contracted acreage by States and commodities for 1934.

In 1935 over 30 million acres of contracted or retired acres were shifted from corn, cotton, wheat, and tobacco. Figures by States and commodities for 1935 are given in table 10. Contracted acreage affected by the various adjustment programs amounted in 1934 to approximately one-tenth of the cultivated land of the country, and in 1935 to about one-twelfth.

The acreage rented under each of the wheat, cotton, corn, and tobacco contracts for 1934 and 1935, and the total acreage rented in each State producing these commodities are shown in tables 9 and 10.

TABLE 9.—*Estimated numbers of acres retired, by States and by commodities from which withdrawn, 1934* [1]

State	Total	Corn	Wheat	Cotton	Tobacco (all types)
Maine					
New Hampshire	112	10			102
Vermont	123				123
Massachusetts	5,148	10			5,138
Rhode Island					
Connecticut	11,569	10			11,559
New York	3,713	600	1,871		1,242
New Jersey	1,006	500	506		
Pennsylvania	40,587	6,000	13,339		21,248
Ohio	590,221	465,000	92,889		32,332
Indiana	788,948	672,000	112,504		4,444
Illinois	1,721,858	1,570,000	151,821		37
Michigan	106,905	70,000	36,905		
Wisconsin	194,468	159,440	2,167		32,861
Minnesota	701,755	571,660	128,395		1,700
Iowa	2,566,741	2,545,000	21,741		
Missouri	1,343,594	1,090,000	105,013	145,693	2,888
North Dakota	1,710,335	188,700	1,521,635		
South Dakota	1,568,026	1,025,000	543,026		
Nebraska	2,253,336	1,854,000	399,336		
Kansas	2,867,757	1,020,000	1,847,244	332	181
Delaware	7,355	1,850	5,505		
Maryland	66,729	21,000	43,579		2,150
Virginia	138,826	45,000	32,114	23,440	38,272
West Virginia	17 270	10,000	4,946		2,324
North Carolina	719,765	32,000	3,297	499 697	184,771
South Carolina	761,838	20,000		712,998	28,840
Georgia	1,230,929	9,500	627	1,198,657	22,145
Florida	62 058	17,000		43,280	1,778
Kentucky	425,868	140,000	20,958	5,248	259,662
Tennessee	617,769	172,900	10,449	391,591	42,829
Alabama	1,318,171	30,800		1,287,280	91
Mississippi	1,471,064	3,700		1,467,364	
Arkansas	1,352 098	39,500	272	1,312,297	29

[1] Estimated by commodity divisions of the Agricultural Adjustment Aministration.

TABLE 9.—*Estimated numbers of acres retired, by States and by commodities from which withdrawn, 1934*—Continued.

State	Total	Corn	Wheat	Cotton	Tobacco (all types)
Louisiana	733,299	5,620		727,679	
Oklahoma	2,045,997	233,000	543,015	1,269,982	
Texas	6,099,967	223,000	546,020	5,330,947	
Montana	658,292	5,000	653,292		
Idaho	148,653	1,000	147,653		
Wyoming	79,885	44,000	35,885		
Colorado	545,921	320,000	225,921		
New Mexico	141,235	40,000	57,142	44,093	
Arizona	64,668	900	925	62,843	
Utah	32,019	500	31,519		
Nevada	1,376	86	1,290		
Washington	292,477		292,477		
Oregon	127,575	500	127,075		
California	130,593	1,200	67,633	61,760	
Total	35,767,899	12,655,986	7,829,986	14,585,181	696,746

TABLE 10.—*Estimated number of acres retired under wheat, cotton, tobacco, and corn-hog contracts, by States, 1935* [1]

	Total	Corn	Wheat	Cotton [2]	Tobacco
Maine					
New Hampshire	49	3			46
Vermont	93	40			53
Massachusetts	2,570	2			2,568
Rhode Island					
Connecticut	5,879	17			5,862
New York	2,332	572	1,232		528
New Jersey	1,298	942	356		
Pennsylvania	33,210	13,743	8,952		10,515
Ohio	377,731	297,600	61,347		18,784
Indiana	568,611	489,000	74,734		4,877
Illinois	1,448,540	1,348,340	100,184		16
Michigan	75,042	50,540	24,502		
Wisconsin	152,395	138,000	1,381		13,014
Minnesota	754,542	691,274	62,623		645
Iowa	1,977,828	1,963,470	14,358		
Missouri	1,214,825	1,000,000	69,745	141,834	3,246
North Dakota	1,075,246	194,880	880,366		
South Dakota	1,403,793	1,087,500	316,293		
Nebraska	2,251,251	2,006,406	244,845		
Kansas	2,125,508	915,000	1,210,074	256	178
Delaware	10,438	6,765	3,673		
Maryland	52,964	22,264	28,924		1,776
Virginia	112,432	40,000	21,042	24,056	27,334
West Virginia	14,967	9,600	3,207		2,160
North Carolina	614,787	23,000	2,169	488,818	100,800
South Carolina	683,160	28,351		640,516	14,293
Georgia	1,124,122	11,800	378	1,101,630	10,314
Florida	55,980	14,553		40,584	843
Kentucky	390,114	203,000	13,887	7,659	165,568
Tennessee	548,753	156,798	7,093	338,655	46,207
Alabama	1,162,330	35,030		1,127,228	72
Mississippi	1,231,749	5,600		1,226,149	
Arkansas	1,233,744	71,788	179	1,161,770	7
Louisiana	622,517	13,500		609,017	
Oklahoma	1,769,099	285,000	353,642	1,130,457	
Texas	5,518,436	321,000	367,419	4,830,017	
Montana	425,187	17,948	407,239		
Idaho	97,051	1,804	95,247		
Wyoming	66,060	42,622	23,438		
Colorado	558,222	414,652	143,570		
New Mexico	122,985	43,000	38,618	41,367	
Arizona	52,427	182	616	51,629	
Utah	20,802	168	20,634		
Nevada	1,041	188	853		
Washington	183,172	448	182,724		
Oregon	83,742	1,484	82,258		
California	109,814	1,400	44,189	64,225	
Total	30,336,838	11,969,274	4,911,991	13,025,867	429,706

[1] Estimated by Commodity Divisions of the Agricultural Adjustment Administration.
[2] Complete estimated total for cotton will approximate 13,900,000 acres.

II. SOIL IMPROVING USES OF RENTED ACRES

That the rented acreage was being used increasingly for soil improvement purposes is indicated by a study made in 1934. Estimates based on field observations, opinions of State agronomists and officials directing the crop-adjustment program show that in the Corn Belt States a great majority of the farmers chose to plant part or all of their contracted acres to alfalfa, sweetclover, and timothy, or elected to use old sods as contracted acreage and to permit them to lie unplowed.

Estimates for several Corn Belt States (Ohio, Illinois, Indiana, Iowa, Nebraska, and Missouri) indicate that the corn-hog and wheat contracted acres were used approximately for the following purposes:

About one-third for new seedings of meadow and pasture crops, chiefly alfalfa, sweetclover, and clover and timothy.

About one-fourth in old meadow crops left unplowed (clover, timothy, sweetclover, bluegrass pasture).

About one-third planted to emergency forage crops (soybeans, millet, Sudan grass, forage sorghums, fodder corn).

About one-twelfth, used for controlling weeds, was fallowed or left idle.

SOUTH USED ACRES FOR HOME FOOD AND FEED CROPS

In connection with the cotton contract, it is indicated that the contracted acreage was used to a considerable extent in producing food and feed for home use on the farm and for soil improvement and erosion prevention, including terracing and strip cropping. It was contrary to the contract to produce crops for sale on the contracted acreage. Estimates for five cotton States (Arkansas, Oklahoma, Texas, Georgia, and South Carolina) indicate that probably around three-fourths of the contracted cotton acreage was planted to home food and feed crops, chiefly corn, wheat and oats, soybeans, cowpeas, sorghums, Sudan grass, lespedeza, and Mung beans. About one-tenth apparently was planted to new seedings of permanent pasture and meadow crops, chiefly lespedeza, alfalfa, sweetclover, Dallis grass, rescue grass, carpet grass, and hop clover. About one-eighth seems to have been used for soil-improvement crops to be turned under. These crops include cowpeas, soybeans, lespedeza, hairy vetch, and Mung beans for the most part. Next in importance was erosion prevention, involving in many cases terracing and strip cropping of the land planted to Bermuda grass, lespedeza, sweetclover, Sudan grass, cowpeas, and hegari. It is estimated that a small percentage (possibly one one-fiftieth) of the cotton contracted acreage was left idle. In Arkansas and Tennessee considerable interest was taken in the planting of trees, chiefly black locust, for farm woodlot purposes and it was reported that all available seedlings were used.

IMPROVED ROTATIONS WOULD REDUCE COSTS

Agronomists, farm-management specialists, and practical farmers have long conceded that farming systems on individual farms in nearly all regions would be greatly benefited by increasing the acreage devoted to alfalfa, sweetclover, lespedeza, and other legumes and to improved permanent pastures. Not only would the appalling

losses due to erosion be reduced but the cost of producing crops and feeding livestock would be greatly lowered and fertility maintained and improved by thus improving the rotation system. Farmers who voluntarily signed millions of crop-control contracts have given increasing thought to their rotation systems and apparently more and more were choosing to use their rented acreage constructively in establishing new seedings of pasture and meadow crops and growing emergency pasture and roughage crops. The farmers in the cotton States have paid more attention to providing for the farm family food needs, growing home food and feed crops on the contracted acreage.

In 1934, in order to meet the shortage of livestock feed created by the unprecedented drought, all adjustment contracts were modified to encourage the greatest possible production of needed feeds. Under such modifications, adjusted acres were widely used in producing forage crops, soybeans, cowpeas, Sudan grass, millet, sorghums, and corn for fodder. Estimates indicate that in the drought area, more than 16 million tons of forage crops adapted to drought conditions were produced on acres which had been retired, under contract, from the growing of basic commodities.

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CHAPTER 3

AGRICULTURAL-INDUSTRIAL RELATIONS

Parity price for agricultural products was the primary aim of the emergency programs in 1933 to 1935. However, the real goal of agricultural recovery was the restoration of farm income to a point at which it would represent a fairer share of the national income and an improvement in living standards for the farm population to make them more nearly commensurate with those of the nonfarm population.

I. PARITY INCOME FOR AGRICULTURE

The share of the national income going to agriculture or contributed by agriculture between 1924 and 1929 was about 10 to 12 percent. This was a considerable reduction from the pre-war share of 16 to 19 percent. Between 1909 and 1929 the city population increased while the farm population remained relatively stable, consequently some reduction in the farmers' share of income was to be expected. But a decline to 10 or 12 percent was a disproportionate drop. In the 1924–29 period, a reduction to between 12 and 15 percent would not have been far out of line with population trends.

By 1932, however, the farmers' share of the national income had declined to 7.5 percent. For the 1934 and 1935 period the share, including rental and benefit payments, was somewhat more than 10 percent. On a per-capita basis, the farmers' share at present is about 20 to 25 percent less than it would be if the long-time per-capita share were to be restored.

At the bottom of the depression, gross income from farm production totaled about 5.3 billion dollars. Deducting a selected list of operating costs, including taxes and mortgage interest, but not wages, the income available for the standard of living of all persons on farms was about 3.2 billion dollars. This was about $102 per person, or about 60 percent of the "net" income per person on farms during the period 1910–14. The purchasing power of "net" income in 1932 was only 56 percent of what it had been during the pre-war period, since the prices paid by farmers for farm-home living costs were 108 percent of those of the pre-war period.

Exclusive of benefit payments, gross income from farm production in 1935 was about 7.6 billion dollars. After deductions for operating costs of about 2.4 billion dollars, the "net" income was about 5.2 billion dollars. The farm population in 1935 was about 32,779,000. Per-capita farm income of about $159 had a purchasing power about 76 percent that of pre-war. In addition, benefit payments that were scheduled totaled about 480 million dollars, and this increased the purchasing power per person on farms to about 83 percent of the pre-war level—a substantial lift from the low point of the depression.

PROGRESS ON FARM AND IN CITY COMPARED

Economic progress in agriculture cannot be adequately measured in terms of its own condition at some previous period. Allowance must be made for progress or lack of progress in the standard of living of persons not on farms. While the absolute standard of living on farms differs materially from that in the city, it is assumed that farmers should be able to attain the same rate of improvement as does the rest of the population.

In 1933, the share in the national income of approximately 93 million persons not on farms was about $446 per person, which was about 111 percent of the pre-war period. City living costs in that year were about 133.5 percent of the pre-war average, indicating that purchasing power of the urban population was about 83 percent of the pre-war years. For 1932 per person purchasing power was about 84.5 percent of what it had been in the pre-war years.

During 1935, the portion of national income available to population not on farms was about $530 per person. Living costs were somewhat higher at 142.5 percent of the pre-war average, and purchasing power per person was about 93 percent of the pre-war years.

MUCH DISPARITY HAS BEEN REMOVED

Much of the disparity between income of the farmers and that of the rest of the population thus has been removed. In 1932, there was a disparity of about 34 percent, the farm income per person having a purchasing power of 56 percent of the pre-war period, while the purchasing power per person not on farms was about 84 percent of the pre-war period. In 1935, the disparity was only about 10 percent—purchasing power being 83 percent of the pre-war period for the farm population, and 93 percent for the population not on farms. More than two-thirds of the depression disparity has been removed during the past 3 years.

At the present time the total "gap" between agricultural and urban purchasing power expressed in terms of dollars is about $1,100,000,000. An addition of that amount to farm net income would give persons on farms a purchasing power equal to that of persons in urban areas. This total is exclusive of benefit payments. In 1935 benefit payments supplied approximately $480,000,000 of this amount.

Living costs on farms and in cities are expected to be about the same in 1936 as they were in 1935. At the end of 1935, it appeared that the 1936 national income would be about 10 percent larger than that of 1935, and farm income probably would share proportionately in the increase unless unusually large crops are produced. The year-end prospects were that disparity between farm and city purchasing power in 1936 would be about the same as in 1935—roughly a billion dollars. Any benefit payments made to farmers would reduce this figure by an amount equal to the total of such payments.

REQUIREMENTS FOR COMPLETE DISAPPEARANCE OF DISPARITY

The income disparity between urban and farm groups probably will not disappear completely until additional farm income is de-

rived from the opening up of export outlets; until processing and distributing costs are substantially reduced so as to give the farmer a larger share of the consumer's dollar; or until there is a reduction in the proportion of total national population living off the land. Progress in these directions has been very slow.

The foregoing generalizations are subject, of course, to the qualification that they do not apply adequately to any one region or to any commodity group of producers. Moreover they are based on calculations made prior to the Hoosac Mills decision, and do not include any attempt to calculate its consequences or the effect of subsequent legislation.

To some extent the differences between the commodity situations and the regional variations in farm recovery are treated elsewhere in this report. Similarly, there are striking differences among the various groups embraced under the phrase "persons not on farms." Millions still are unemployed, on relief, or on Government works pay rolls, while at the opposite extreme are many individuals and businesses that are relatively prosperous, their profits and earnings in some cases equaling those of 1929, in spite of the fact that the country as a whole is far from prosperous.

II. EFFECTS OF ADJUSTMENT ON INDUSTRIAL RECOVERY

The Agricultural Adjustment Act recognized that the well-being of agriculture and industry are interdependent. The increase in farm income during the period 1932–35 and the position of farm income relative to industrial income at the close of that period have been discussed previously in this report.

Several questions arise concerning the effects of that change. To what extent have sales of industrial products increased as the result of increased farm income? Have urban markets for foodstuffs improved? What was the effect of improved farm income on employment? Did farm prices rise to a level above that of industrial prices? Did consumer income keep pace with increases in farm prices?

FARM PURCHASING POWER FOR URBAN GOODS

The industrial gains attributable to increased purchasing power of agriculture can be divided into two types: (1) gains in industries directly affected by improved farm buying power; and (2) gains in industries whose revival has formed part of the general recovery in which agricultural recovery has been an important factor.

Among the former industries are those selling directly to farmers.

Sales of fertilizer-tax tags rose 9.2 percent in 1935 as compared with 1934; the 1935 figures represented an advance of 54.5 percent over those of 1932.

Sales of agricultural implements rose 72.5 percent in the first 9 months of 1935, as compared with the corresponding period in 1934; the 1935 figure represented an advance of 260.5 percent over the first 9 months of 1932.

Rural retail sales rose by more than half between 1932 and 1935; the 1935 total advanced 17.2 percent over that of 1934.

The increase in new passenger-car registrations in agricultural regions continued. Figures released by the Automobile Manufacturers Association showed that in towns under 10,000 and on farms, the increase of 1934 registrations over those in 1933 was 38 percent, or 230,825 cars. This contrasted with an increase of only 18 percent, or 163,885 cars, in cities over 10,000.

IMPROVED URBAN MARKET FOR FARM PRODUCTS

Farm purchasing power that was passed on to industrial centers reappeared in improved urban markets for agricultural products, as is indicated in the following facts:

In 1935 benefit payments were made on corn, hogs, wheat, cotton, tobacco, sugar beets and sugarcane, peanuts, and rice. In 1934 benefit payment programs were in effect for all these commodities except peanuts and rice. In addition, in that year drought-relief and surplus-removal programs, not strictly comparable to the benefit payment programs, were employed to assist growers of cattle, sheep, and goats.

The gross income, including Government payments, from those crops and livestock for which programs were in effect under the Agricultural Adjustment Act, amounted to:

1932	$2, 154, 000, 000
1933	2, 922, 000, 000
1934	3, 509, 000, 000
1935	3, 871, 000, 000

Gross income from the list of products outside the production adjustment programs, but including commodities for which marketing agreements were in effect, amounted to:

1932	$3, 183, 000, 000
1933	3, 484, 000,000
1934	3, 757, 000, 000
1935	4, 239, 000, 000

The total advance from 1932 to 1935, in the group affected by the production adjustment programs, was $1,717,000,000, or 80 percent, while the total advance in the group only indirectly affected by these programs was $1,056,000,000, or 33 percent. The group affected by the adjustment programs was, it should be noted, the group which had been most severely affected by the depression and the decline in the export market.

The annual changes for these two groups of products bear out the assumption made in 1933 when the adjustment programs were initiated, that to increase the income from the export crops would provide a stimulus for general business and thus favorably affect industrial conditions in strictly industrial areas, and that as this improvement took place in the industrial areas, particularly the North Central and Northeastern States, other agricultural commodities would benefit from the general rise in purchasing power in the domestic markets.

The sharp rise in income from export products that were under adjustment programs was soon accompanied by an improvement in business conditions that was partly the result of the income improvement in Southern and Western States, and partly the result of other

factors. This movement, in turn, was accompanied by a rise in the income from commodities not under adjustment programs, which rise has continued with the further expansion in industrial activity.

INDIRECT EFFECTS OF FARM RECOVERY

The figures above indicate the extent to which the positions of certain important industries were improved as a result of increased farm purchasing power between 1932 and 1935. The increased profits and expanded payrolls resulting from these sales in turn added to the purchasing power of the city areas, thereby broadening the indirect effects of farm revival.

CITY EMPLOYMENT AND FARM BUYING POWER

The effect on industry of the decline of farm purchasing power from 1929 to 1932, and of its restoration between 1932 and 1935, may be gathered from the following figures:

Sales at retail in places having populations of less than 2,500 and sales by mail order companies, declined from $9,200,000,000 in 1929 to an estimated $3,900,000,000 in 1932, a total decline of $5,300,000,000. This drop accounted for 23 percent of the contraction in all retail business, which fell from $49,100,000,000 in 1929 to $25,600,000,000 in 1932. Thus the reduced buying of farmers and of the rural population whose welfare is closely related to farm conditions was a direct cause of over one-fifth of the 1929–32 loss in industrial production and employment, and no doubt an indirect cause of even more unemployment.

With the sharp recovery in farm income which appeared early in 1933 came also a quick pick-up in rural retail sales, resulting in an estimated gain for the year of $800,000,000, or more than 20 percent. At the same time there was a drop of $1,400,000,000 in retail buying in urban sections. The drop in urban buying not only offset the gain in rural retail sales, but accounted for a loss in total retail business of $500,000,000 in 1933 as compared with 1932. By the end of 1933 rural buying had recovered to its 1929 relationship to total trade.

Since mid-1933, at which time farm cash income had recovered to its 1929 position relative to nonfarm income, the income of farmers has increased at about the same rate as that of the nonfarm population. However, retail sales in rural areas have expanded faster than retail sales in urban areas. This is explained, in part at least, by the increasing margin of farm cash income over and above necessary outlays for wages, interest, and taxes. The 1932 to 1935 annual increase in farm income remaining after deducting these expenditures is 94 percent as compared with an increase of 57 percent in gross cash income before deducting such expenses.

What the improvement in rural buying has meant to industry can be roughly computed by assuming that the same amount of employment is necessary to produce a dollar's worth of goods for either the rural or the urban market. On this basis it appears that over 40 percent of the 1932–35 increase in factory employment was attributable to improved rural trade—roughly half of this increase came

directly through increased buying by farmers, and half through greater purchases by rural population in communities where income is largely dependent on farm conditions. In other words, about 4 men out of 10 reemployed between 1932–35 may be said to have been called back to work by orders from rural areas.

CITY WAGES AND FARM PRICES

The extent to which the farm buying power, contingent on restored prices for farm products and increased farm income, has provided jobs for city workers at times was lost sight of in the period when the increased cost of farm products to consumers was widely discussed. In this connection certain facts are pertinent.

1. Increases in farm prices do not result in equal percentage increases in food prices. Farm prices for 1935 averaged 65 percent above the depression low while food prices averaged 21 percent above.

2. Food prices, while they rose more rapidly between 1933 and 1935 than other items in the cost of living, had previously sunk to levels far below other items in the cost of living. At the bottom of the depression, food prices had fallen to 58 percent of their 1929 level, while nonfood items in the cost of living were at about 81 percent of their 1929 level.

3. Even after the rise, food prices constituted a smaller portion of living costs than in 1929. The wages of employed factory workers, moreover, have consistently kept pace with the cost of food, as is shown in table 11, giving the purchasing power of employed workers' wages.

TABLE 11.—*Index numbers of purchasing power of wages per employed worker* [1]

[1929=100]

Year	In terms of—			Year	In terms of—		
	Food	Other living costs	All living costs		Food	Other living costs	All living costs
1929	100	100	100	1933	115	88	96
1930	101	98	99	1934	110	93	98
1931	115	96	102	1935 (estimated)	106	98	100
1932	120	89	98				

[1] Total for workers in manufacturing, mining, transportation, trade, communication, and electric light, power, and gas. Labor income represented by this index amounts to 50 percent of all nonfarm labor income.

In 1929, out of a monthly average of 48,583,000 available workers in the country, 46,770,000, or all but 3.7 percent, were employed. In March 1933 a low mark in employment was reached, with 34,716,000 employed and 15,071,000 unemployed. In 1935 the number of available workers had increased to a monthly average of 50,537,000 and the number of employed to 39,066,000. Of these, however, almost 11½ million, or 22.7 percent, remained unemployed.

Many of the unemployed were workers whose trades would normally attach them to either the building industry or the durable

goods industry. Both of these industries were gaining momentum during the latter months of 1935.

The fact remains, however, that the increase in physical volume of output of basic industries, as measured by the Federal Reserve index, amounting to about 14 percent in 1935 over 1934, was nevertheless only sufficient to bring the quantity of manufactured goods produced during the year up to about 75 percent of the 1929 total.

This 75 percent of the 1929 total contrasts with 90 percent of the 1929 total for farm production for the same period.

Figure 1 shows the per capita buying power of farmers and of the nonfarm population for the past 25 years.

The next objective of agriculture is one shared alike by this country's farm and city working populations. These populations are now in a state of fair balance in the production and consumption of the articles which make up the 1935 standard of living. For an increase in that standard of living both must increasingly depend on resumption of industrial activity sufficient to absorb the unemployed workers in the country's economic population. In proportion as they find work the farmer will have increased support of the market for his products and the country as a whole will have an increased supply of the goods and services which the city can create and perform.

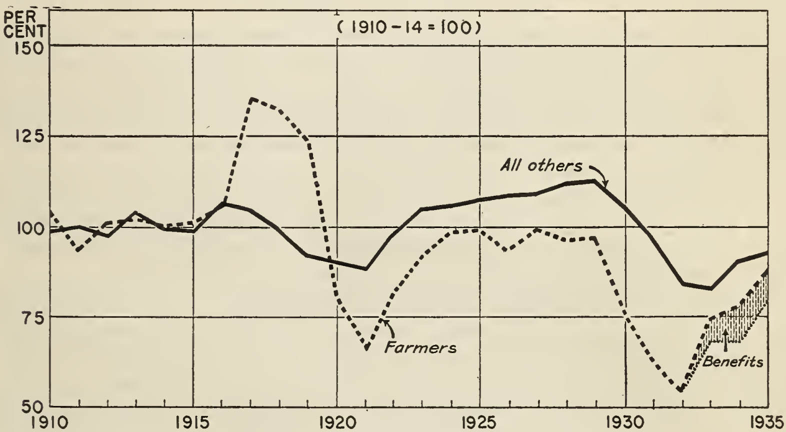

FIGURE 1.—Per capita buying power of farmers and all others (1910–14 = 100).

Progress in the months and years ahead is conditional upon industry giving, through increased production at prices low enough to pass its products into consumption, a stimulus to the economic system comparable to that given by agriculture in the years 1932 to 1935.

III. SHIPMENTS OF COMMERCIAL GOODS TO AGRICULTURAL AREAS

The Agricultural Adjustment Administration initiated, a year ago, a survey of carlot shipments of manufactured commodities

from industrial States to agricultural States, as one way to measure the effect of the farm program on general recovery. This survey involved a study of railroad freight waybills. Data from this survey, previously published, showed that carlot shipments of industrial and manufactured commodities (excluding coal) originating in 16 Northeastern States and delivered by four important railroads in 10 States of the agricultural Southeast increased by 38.8 percent during the first year the adjustment programs and other recovery measures were under way.

DATA ON NEW AREA AVAILABLE

Additional data now available for nine States of the agricultural Southwest and the southern Pacific coastal region in which shipments from the Northeast were delivered, show a gain, with coal excluded, of 37.4 percent. With coal included, the increase was 35.6 percent.

Carlot shipments of industrial and manufactured commodities, with coal excluded, originating in the Northeast and delivered by five railroad systems of the Southwest, totaled 2,398,622,166 pounds during the year ending June 30, 1933, whereas the total for the year ending June 30, 1934, after the effects of the farm and other recovery programs had begun to be felt, was 3,295,140,666 pounds.

The industrial States from which the commodities were shipped were Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, New Jersey, Delaware, Maryland, Ohio, Michigan, Indiana, Illinois, and Wisconsin.

The agricultural States of the southwestern group in which the shipments were delivered were Louisiana, Texas, Arkansas, Missouri, Oklahoma, Kansas, New Mexico, Arizona, and California.

Railroads serving this group of States and cooperating in the survey, were the Missouri Pacific; the St. Louis & San Francisco; the Atchison, Topeka & Santa Fe; the Texas & Pacific; and the Southern Pacific. Some of these roads also cover small portions of States just north of those listed, so that the area in which shipments were delivered does not coincide precisely with State lines on its northern border.

CARLOT SHIPMENTS CONSTITUTE 95 PERCENT OF TOTAL

The shipments originated on more than 100 railroads in the northeast. Only carlot shipments were included in the survey, because less-than-carlot shipments could not be definitely traced to their point of origin. The carlot shipments, however, were found to represent more than 95 percent of the total weight of shipments.

During the first period, July 1932 through June 1933, the receipts of farmers from the sale of principal farm products in the nine Southwestern States totaled $1,173,493,000. During the second period, July 1933 through June 1934, receipts of farmers from the sale of the same products, with rental and benefit payments included, were $1,585,205,000. This represented an increase of 35.1 percent. Table 12 shows totals and percentages of increase for the separate States.

TABLE 12.—*Receipts from the sale of principal farm products, plus rental and benefit payments, for years beginning July 1932 and July 1933 for the Southwestern States* [1]

[Thousands of dollars]

State	July 1932 through June 1933	July 1933 through June 1934	State	July 1932 through June 1933	July 1933 through June 1934
Arizona	21,391	30,675	New Mexico	22,678	27,206
Arkansas	67,396	102,849	Oklahoma	96,597	161,800
California	315,326	376,850	Texas	274,812	430,254
Kansas	161,545	189,294			
Louisiana	56,232	80,178	Total	1,173,493	1,585,205
Missouri	157,516	186,099			

[1] These estimates of monthly receipts from farm marketings include income from 33 of the more important farm commodities. In California 89 percent of the income from farm production was obtained from the sale of these commodities. In the other States here listed the percent of the income obtained from the sale of these commodities ranges from 93 to 97 percent.

Shipments of commodities used by farmers in their production activities increased in this period by 114 percent, from 63,228,482 pounds to 135,283,258 pounds over shipments in the 12-month period prior to the adjustment programs. Included in this group were farm implements and machinery, shipments of which increased by 142.3 percent, from 16,868,919 pounds to 40,877,660 pounds. Shipments of tractors and parts increased by 97 percent, from 15,016,572 pounds to 29,583,041 pounds. Wire and fencing increased by 103.5 percent, from 27,331,017 pounds to 55,661,968 pounds.

Domestic and personal goods used in large quantities by farmers, showed an increase of 56.9 percent. These totaled 183,483,449 pounds in the first year covered by the survey, and 287,938,240 in the year following after recovery measures were under way. Among the commodities which showed substantial increases, ranging up to 200 percent, were furniture, including refrigerators and stoves and heaters, carpets and linoleum, plumbersware and bathtubs, electrical appliances, and bedding.

GOODS USED IN INDUSTRY AND COMMERCE INCREASE

Increased shipments from the industrial Northeast to the agricultural Southwest and southern Pacific coastal area were not confined to products used on the farm or in the home. The improved purchasing power of farmers and others was reflected in increased shipments of commodities used in industry and commerce. For this entire group, shipments totaled 763,003,338 pounds in the earlier year covered by the survey and 992,270,805 pounds in the later year, or an increase of 30 percent. Outstanding in this group were steel and iron products, shipments of which increased from 368,552,765 pounds to 596,663,812 pounds, or by 61.9 percent. Engines of all types increased from 46,613,182 pounds to 75,271,251 pounds, or by 61.5 percent. Machinery, including commercial and industrial, electrical, refrigerating, and road machinery, increased from 42,862,432 pounds to 55,156,298 pounds, or by 28.7 percent. Boilers, tubes, and parts increased from 6,764,343 pounds to 9,048,066 pounds, or by 33.8 percent. A long list of other commodities used in commerce and industry showed similar improvement.

GENERAL SHIPMENTS UP 34.1 PERCENT

A fourth group, consisting of goods used generally on farms, in homes, and in industry increased from 3,049,345,094 pounds to 4,089,455,054 pounds, or by 34.1 percent. The largest item in this group was coal, shipments of which increased from 1,660,438,197 pounds to 2,209,886,691 pounds, or by 33.1 percent. More significant from the point of view of value were automobiles and their parts and accessories, which increased by 49.8 percent from 395,252,894 pounds to 591,220,131 pounds. Shipments of motor trucks, of which a large share is customarily bought by farmers, increased from 6,243,487 pounds to 11,846,726 pounds, or by 89.7 percent. Shipments of batteries increased from 16,918,706 pounds to 23,621,508 pounds, or by 39.6 percent. Gasoline and petroleum products increased from 267,158,170 pounds to 322,917,659 pounds, or by 20.9 percent; alcohol and antifreeze compounds, from 2,912,680 pounds to 7,569,365 pounds, or by 159.9 percent. Some other products in this general group were paper and paper products, which increased from 119,260,021 pounds to 142,158,509 pounds, or by 19.2 percent; drugs and chemicals from 247,061,137 pounds to 335,185,583 pounds, or by 35.7 percent; paints and varnishes, from 15,218,267 pounds to 20,983,822 pounds, or by 37.9 percent; and tin and tin products, from 174,676,818 pounds to 259,250,987 pounds, or by 48.4 percent.

Some individual items in the survey showed decreases, but these were greatly overshadowed by the items which showed increases, so that the general average was substantially higher in the year after the recovery programs began.

Table 13 shows the totals of shipments from the 16 States of origin, for the Southwestern as well as the Southeastern survey. Largest shipments to the Southwest, as will be noted, originated in the States of Illinois, Michigan, Ohio, Pennsylvania, Indiana, and Wisconsin.

TABLE 13.—*Industrial commodity shipments to the Southeast and to the Southwest, by States of origin* [1]

State	Southeast [2]			Southwest		
	Year 1 (July 1932–June 1933)	Year 2 (July 1933–June 1934)	Percentage of increase	Year 1 (July 1932–June 1933)	Year 2 (July 1933–June 1934)	Percentage of increase
	Pounds	*Pounds*	*Percent*	*Pounds*	*Pounds*	*Percent*
Connecticut	11,840	14,481	22.3	1,829,580	2,639,303	44.3
Delaware	4,349	5,236	20.4	277,068	930,958	236.0
Illinois	465,873	582,699	25.1	969,169,842	1,071,939,711	10.6
Indiana	293,294	410,198	39.9	184,936,873	269,055,565	45.5
Maine	33,437	56,251	68.2	979,168	2,449,035	150.1
Massachusetts	47,617	66,797	40.3	8,188,387	11,379,446	39.0
Maryland	130,884	134,481	2.7	31,322,790	23,541,274	24.8
Michigan	333,548	486,118	45.7	451,807,321	653,903,322	44.8
New Hampshire	5,643	6,898	22.2	1,775,351	1,917,004	8.0
New York	105,689	159,905	51.3	61,307,081	83,492,648	36.2
New Jersey	53,515	71,135	32.9	19,425,936	27,237,844	40.2
Ohio	315,096	471,661	49.7	321,757,013	510,069,231	58.5
Pennsylvania	221,264	342,999	55.0	197,110,698	375,605,989	90.6
Rhode Island	11,197	11,172	−0.2	733,496	834,592	13.8
Vermont	4,030	4,976	23.5	1,605,300	3,038,195	89.3
Wisconsin	56,977	81,776	43.5	146,357,331	256,959,083	75.6
Grand total	2,094,253	2,906,783	38.8	2,398,583,235	3,294,993,200	37.4

[1] Not including coal.
[2] Revised.

SURVEY REVEALS AGRICULTURAL INDUSTRIAL RELATION

As in the survey of shipments to the Southeast, the significant fact brought out is that increase of purchasing power in an area that is dominantly agricultural has an immediate effect on business activity and employment in the part of the country that is dominantly industrial. Both in the Southeast and in the Southwest, the rise in farm purchasing power was the most important element in the general increase in purchasing power which occurred in those regions. It seems reasonable to assume, therefore, that the rise in farm purchasing power provided the main stimulus which was transmitted from these regions to the industrial Northeast.

CHAPTER 4

SURPLUS-REMOVAL OPERATIONS

SALIENT FACTS ABOUT SURPLUS-REMOVAL OPERATIONS

1. Expenditures for removal and conservation of surplus and drought relief	$204, 801, 642
2. Cash recovery, value of products distributed to relief and on hand	201, 091, 781
3. Approximate value of pork, beef, and veal distributed to relief	150, 000, 000
4. Approximate value of dairy products distributed to relief	22, 000, 000

A program for removal of surplus agricultural products from normal commercial channels was inaugurated under the Agricultural Adjustment Act during the latter part of 1933. This program was coordinated with certain drought-relief activities during 1934.

Expenditures for removal and conservation of surpluses and for drought-relief programs totaled $204,801,642 at the close of 1935. Cash recovered from the sale of these products, and the value of products distributed to needy and unemployed or still remaining on hand, total $201,091,781, which represents the total estimated recovery value. These programs have resulted not only in the acquisition of the supplies enumerated, but in conserving foundation livestock herds and seed, feed, and forage supplies during the 1934 drought, and in improving marketing conditions and prices for a number of agricultural commodities.

The surplus-removal activities included purchases, for relief distribution, of hogs and pork products, dairy products, and sugar. Drought-relief activities included buying and salvaging for relief use, of surplus cattle, sheep, and goats which otherwise would have died of thirst or starvation. Also, feed, forage, and stocks of adapted seed varieties were conserved for sale and distribution to farmers in drought-hit areas for planting in 1935.

Expenditures by years for removal and conservation of surpluses are shown in table 14. Recovery from sales and value of products distributed to relief or on hand on December 31, 1935, are shown in table 15.

TABLE 14.—*Surplus-removal and drought-relief expenditures by commodities and by calendar years, through Dec. 31, 1935*

Commodity	1933	1934	1935	Total, all years
Hogs, emergency program	$30, 643, 102			$30, 643, 102
Hogs, supplementary program		$12, 186, 100		12, 186, 100
Pork products, supplementary program		2, 793, 967		2, 793, 967
Butter, surplus removal	9, 418, 379	5, 214, 338	$1, 792, 342	16, 425, 059
Cheese, surplus removal		1, 417, 534	1, 648, 344	3, 065, 878

TABLE 14.—*Surplus-removal and drought-relief expenditures by commodities and by calendar years, through Dec. 31, 1935*—Continued

Commodity	1933	1934	1935	Total, all years
Milk:				
Evaporated			$2,223,487	$2,223,487
Dry skim			912,008	912,008
Sugar, surplus removal		$365,536		365,536
Cattle, drought relief		102,744,455	8,801,649	111,546,104
Sheep, drought relief		6,764,548	454,760	7,219,308
Goats, drought relief		371,762	118,882	490,644
Feed, drought relief			88,489	88,489
Seed, drought relief		15,936,916	905,044	16,841,960
Totals	$40,061,481	147,795,156	16,945,005	204,801,642

TABLE 15.—*Recovery from expenditure for surplus removal*

1. Surplus removal of hogs:		
Emergency program:		
Value of dry salt pork distributed to relief	$9,721,344	
Funds from sale of inedible grease	545,550	
Funds from sale of tankage	59,000	
		$10,325,894
Supplementary program:		
Value of pork distributed to relief	11,628,146	
Value of pork products	2,793,967	
		14,422,113
Total		24,748,007
2. Value of surplus dairy products issued to relief:		
Butter	$16,391,309	
Cheese	3,041,836	
Evaporated milk	1,974,675	
Dry skim milk	844,145	
		22,251,965
3. Value of surplus sugar issued to relief		365,536
4. Estimated value of recovery in drought cattle program:		
Beef and veal issued to relief clients	$126,500,223	
Market value of hides on hand	7,000,000	
Sheep and goats donated to relief and Indian agencies	195,642	
Mutton and goat meat donated to relief	4,187,341	
		137,883,206
5. Recovery from drought relief funds for feed and forage (value of corn fodder, stover, hay, and straw donated to relief)		88,489
6. Recovery from drought relief expenditures for seed:		
Cash receipts from sale	$5,457,854	
Rural rehabilitation corporation orders	3,313,885	
Donations to Soil Conservation Service	82,829	
Value of seed on hand	7,000,000	
		15,854,568
Total		201,191,781

The Federal Surplus Relief Corporation was created as a non-profit corporation on August 4, 1933. The corporation combined powers granted by Congress under the Emergency Appropriation Act, the Agricultural Adjustment Act, and portions of the National Industrial Recovery Act which dealt with public works.

In November 1935 the functions of the corporation were taken over by the Federal Surplus Commodities Corporation, which was modified to meet operating needs under the amendments to the Agricultural Adjustment Act adopted in 1935. Like its predecessor,

the new corporation is a nonstock, nonprofit corporation, operating under the laws of Delaware. The members are the Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Administrator of the Agricultural Adjustment Act.

The Federal Surplus Commodities Corporation provided means for effective use of (1) funds appropriated under the Jones-Connally Act and the La Follette amendments for the purchase of surplus dairy products; and (2) such other funds as may now be available, or as may become available under section 32 of the amendments to the Agricultural Adjustment Act, to the Corporation or the Agricultural Adjustment Administration to be used in removing surpluses and in encouraging domestic consumption of agricultural commodities. The Corporation was authorized to serve as an agency to arrange for diversion of surplus farm products from normal channels of trade.

The commodities purchase section of the Agricultural Adjustment Administration, already established, was enabled to make such purchases of surplus agricultural products as could be bought outright, and the Federal Surplus Commodities Corporation to arrange with accredited State and local relief and welfare agencies for distribution of these commodities to persons under their care, on such a basis as not to interfere with regular commercial purchases.

I. SURPLUS-REMOVAL PROGRAMS

Expenditures for the removal of surplus hogs and pork products totaled $45,623,169 through December 31, 1935. Value of products distributed to relief or sold as grease and tankage totaled $24,748,007. Expenditures under the emergency hog-buying program in the fall of 1933 totaled $30,643,102. Under this program hogs were purchased in various parts of the country and processed by commercial packers. Pork and byproducts recovered included 97,213,440 pounds of dry salt pork distributed to relief at an estimated value of $9,721,344; funds from the sale of inedible grease totaling $545,550 and of tankage totaling $59,000, which were deposited in the United States Treasury. Under the supplementary hog-buying program $12,186,100 was expended for hogs and for processing. Over 116 million pounds of pork obtained from these hogs was distributed for relief. At 10 cents per pound, a conservative estimate, the recovery value totaled $11,628,146. For pork products $2,793,967 was expended.

EXPENDITURES FOR DAIRY PRODUCTS TOTAL $22,626,432

Dairy products purchased were donated to the Federal Surplus Relief Corporation and distributed to the needy. Expenditures for dairy products delivered totaled $22,626,432 and were distributed as follows: Butter, $16,425,059; cheese, $3,065,878; evaporated milk, $2,223,487; and dry skim milk, $912,008.

Expenditures for removal of surplus domestic beet sugar donated to relief at market value totaled $365,536. In addition, 2,500,000 pounds of Michigan beet sugar were contracted for and delivered, and donated to relief.

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II. DROUGHT-RELIEF PURCHASES

The number of cattle on farms when the drought reached its height in 1934 was higher than at any time in the previous 13 years. This situation had forced beef prices to new low levels. The drought created an immediate emergency in which water, feed, and forage supplies were cut sharply under the requirements of the peak number of cattle on farms. Producers were left with the alternative of rushing their stock to market in unfinished condition and without regard to the effect on prices; or of leaving the animals on farms and ranges to die of thirst and starvation.

The livestock purchases served as a surplus-removal program in relieving commercial markets of the pressure of distress stock and preventing their glutting to a point that would have forced prices still lower throughout the whole country. The orderly liquidation made possible through this program encouraged culling of inferior animals and assured maintenance of a plentiful supply of foundation livestock on farms.

CATTLE

Expenditures for cattle and calves totaled $111,546,104 for 8,280,148 head, as shown in table 16. Because of starvation and thirst 1,485,704 were unfit for food purposes and were condemned, leaving a net balance of 6,794,444 which were processed.

TABLE 16.—*Drought-relief purchase of cattle, sheep, and goats, through Dec. 31, 1935*

State	Cattle		Sheep		Goats		Total	
	Number	Payments	Number	Payments	Number	Payments	Number	Payments
Arizona	101, 390	$1, 448, 761	11, 347	$22, 694	21, 608	$30, 251. 20	134, 345	$1, 501, 706. 20
Arkansas	137, 775	1, 593, 607	94	188			137, 869	1, 593, 795. 00
California	19, 784	305, 715	23, 206	46, 412			42, 990	352, 127. 00
Colorado	289, 588	4, 147, 938	207, 195	414, 390	3, 427	4, 797. 80	500, 210	4, 567, 125. 80
Florida	16, 335	224, 161					16, 335	224, 161. 00
Idaho	41, 807	522, 394	145, 664	291, 328	36	50. 40	187, 507	813, 772. 40
Illinois	2, 587	42, 650					2, 587	42, 650. 00
Iowa	23, 073	326, 609	1, 767	3, 534			24, 840	330, 143. 00
Kansas	521, 171	7, 526, 018	9, 569	19, 138	149	208. 60	530, 889	7, 545, 364. 60
Louisiana	57, 016	565, 533					57, 016	565, 533. 00
Minnesota	257, 473	3, 766, 418	6, 561	13, 122			264, 034	3, 779, 540. 00
Missouri	511, 465	7, 476, 005	7, 575	15, 150	468	655. 20	519, 508	7, 491, 810. 20
Montana	349, 989	5, 021, 002	491, 775	983, 550	9	12. 60	841, 773	6, 004, 564. 60
Nebraska	480, 881	6, 599, 725	24, 671	49, 342			505, 552	6, 649, 067. 00
Nevada	36, 272	568, 089	99, 260	198, 520	190	266. 00	135, 722	766, 875. 00
New Mexico	547, 249	7, 333, 959	299, 341	598, 682	22, 592	31, 628. 80	869, 182	7, 964, 269. 80
North Dakota	970, 984	13, 681, 540	84, 023	168, 046			1, 055, 007	13, 849, 586. 00
Oklahoma	503, 459	5, 741, 557	2, 270	4, 540			505, 729	5, 746, 097. 00
Oregon	12, 482	184, 300	162, 779	325, 558	1	1. 40	175, 262	509, 859. 40
South Dakota	915, 039	13, 124, 556	148, 900	297, 800	32	44. 80	1, 063, 971	13, 422, 400. 80
Texas	2, 015, 621	24, 538, 947	1, 091, 338	2, 182, 676	283, 221	396, 509. 40	3, 390, 180	27, 118, 132. 40
Utah	126, 095	1, 755, 458	205, 551	411, 102	17, 981	25, 173. 40	349, 627	2, 191, 733. 40
Wisconsin	56, 916	866, 140					56, 916	866, 140. 00
Wyoming	285, 697	4, 185, 022	586, 768	1, 173, 536	746	1, 044. 40	873, 211	5, 359, 602. 40
Total	8, 280, 148	111, 546, 104	3, 609, 654	7, 219, 308	350, 460	490, 644. 00	12, 240, 262	119,256,056.00

These animals were donated by the Agricultural Adjustment Administration to the Federal Surplus Relief Corporation for slaughter, processing, and distribution through relief channels. About one-

half of the animals were slaughtered by packers under direct supervision of the corporation, and the balance were shipped to various States for slaughter and processing under State relief administrations. In these State projects, relief labor was used and labor was thus benefited by wages paid out for processing.

From these animals were obtained 218,115,566 pounds of fresh beef and veal, valued at $17,449,245.28; canned beef and veal totaling 535,591,083 pounds, valued at $107,118,316.60; and 12,884,411 pounds of boned fresh beef and veal, valued at $1,932,661.65. The total value of these products distributed to relief clients is estimated at $126,500,223.23. Value is estimated on the basis of market value and does not include processing costs. In addition there remained on hand 1,904,068 hides and skins with a present market value of approximately $7,000,000.

SHEEP AND GOATS

Under the drought-relief buying program 3,609,654 sheep were purchased at a cost of $7,219,308, and 350,460 goats at a cost of $490,644 (table 16). Of these purchases, 2,209,638 sheep and 254,731 goats were condemned. Donations to State relief administrations of 23,767 sheep and 79,590 goats were valued at $158,960; and to Indian agencies of 18,341 sheep were valued at $36,682.

The remaining 1,358,005 sheep and 16,084 goats were slaughtered and processed by the Federal Surplus Relief Corporation. From these animals, 20,741,770 pounds of mutton, valued at $4,148,354, and 194,935 pounds of goat meat valued at $38,987 were obtained. Pelts recovered from slaughtered sheep were distributed to States for making garments, etc.

FEED AND FORAGE

It was the policy of the Agricultural Adjustment Administration to encourage the conservation of corn stover and other substitute roughage, and to direct the movement of feed and forage from surplus to deficit areas through market channels, rather than to go into the market to purchase and distribute feed during the drought emergency.

As a result of the work of the Federal livestock feed agency at Kansas City, the corn-fodder conservation office at Waterloo, Iowa, and the agency for deficiency distribution at Minneapolis, Minn., the feed requirements of livestock owners in the drought area were supplied through regular commercial channels, at reasonable prices, and surplus stocks from nondrought territory were cleaned up.

In carrying out this program it became necessary to purchase for Government account, corn stover, hay, and straw of the value stated, all of which was donated to the Federal Emergency Relief Administration and issued by that organization to its relief clients in the various States.

Expenditures for feed and forage totaled $88,489, including $55,200 spent for corn fodder and stover; and $33,289 for feed and straw.

Funds were provided from the Emergency Relief Appropriation Act of June 19, 1934.

CONSERVATION OF ADAPTED SEEDS

It became apparent in the early summer of 1934, that there would be an acute deficiency of adapted varieties of seed wheat, oats, barley, and flax in the affected areas, for planting the 1935 crop. In order to provide for this emergency, it was necessary to purchase and hold over grain of adapted varieties suitable for seed from stocks of 1933 grain crops.

Expenditures for seed grain as shown in table 17, totaled $16,841,960.63.

TABLE 17.—*Emergency seed purchases, Aug. 8, 1934, to Dec. 31, 1935*

State	Bushels	Payment	State	Bushels	Payment
Arizona	17, 183. 36	$23, 813. 87	New Mexico	1, 200. 00	$1, 836. 00
California	30, 186. 35	32, 383. 96	North Dakota	3, 160, 422. 86	3, 643, 615. 00
Colorado	35, 803. 43	36, 821. 51	Oklahoma	57, 161. 88	36, 567. 46
Idaho	39, 792. 40	29, 741. 36	Oregon	1, 470, 112. 69	1, 027, 325. 52
Illinois	359, 004. 81	219, 760. 69	South Dakota	64, 914. 63	68, 163. 10
Indiana	65, 954. 37	39, 418. 16	Texas	26, 767. 89	23, 418. 45
Iowa	1, 357, 409. 18	796, 018. 72	Washington	618, 986. 47	432, 245. 93
Kansas	215, 400. 57	149, 246. 87	Wisconsin	351, 828. 12	232, 183. 33
Minnesota	7, 827, 318. 25	6, 240, 936. 56			
Missouri	135, 426. 25	98, 637. 61	United States total	18, 081, 148. 40	15, 354, 863. 47
Montana	1, 994, 270. 60	2, 060, 251. 35	Canada	976, 150. 91	1, 487, 097. 16
Nebraska	252, 004. 29	162, 478. 02			

This program was organized and carried out under the supervision of the seed conservation committee.

Stocks of seed grain were purchased and accumulated in terminal elevators at various grain centers, and in January 1935 contracts were entered into with some 2,000 country elevators in 11 states, for placing this grain, for sale to farmers for seed, in localities where need for it was indicated. The elevators agreed to receive, store, and sell the seed at the prices fixed by the Administration and to remit the proceeds of sales to the procurement office at Minneapolis, Minn., receiving a fixed scale of remuneration for this service.

Prices fixed for the sale of seed, which included storage, cleaning, and handling charges, were as follows:

	Per bushel
Wheat	$1. 35
Durum	1. 60
Malting barley	1. 35
Feed barley	1. 10
Oats, white and yellow	. 75
Oats, red	. 80
Flax	2. 85

Sales were made for cash to farmers who were able to purchase, and transfers were made to the Federal Emergency Relief Administration for seed to be sold to relief clients of rural rehabilitation corporations in the several States. After the close of the planting season, grain for feed and seed was turned over to the Relief Administration and to the Soil Conservation Service. There remain on hand in terminal elevators approximately:

	Bushels
Wheat	4, 173, 935
Oats	2, 676, 825
Barley	245, 069
Flax	74, 815

having a market value of approximately $7,000,000.

At the present time the seed account is as follows:

Total amount of cash receipts	$5,457,854.56
Total amount of rural rehabilitation corporation orders	3,313,885.27
Total amount of donations to Soil Conservation Service	82,829.17
Total	8,854,569.00
On hand to be disposed of	7,000,000.00
Total	15,854,569.00

CHAPTER 5

COMMODITY LOANS

SALIENT FACTS ABOUT COMMODITY LOANS

1. Loans on cotton up to Dec. 31, 1935:	
Total loans to producers, 1933 program	$120, 498, 491. 26
Repayments of loans, 1933 program	120, 181, 159. 32
Total loans to producers, 1934 program	282, 643, 977. 97
Repayments of loans, 1934 program	13, 667, 255. 02
Total loans to producers, 1935 program	3, 028, 269 01
Repayments of loans, 1935 program	170, 535. 14
2. Loans on corn up to Dec. 31, 1935:	
Total loans to producers, 1933 program	121, 841, 265. 41
Repayments of loans, 1933 program	121, 841, 265. 41
Total loans to producers, 1934 program	11, 042, 392. 08
Repayments of loans, 1934 program	11, 042, 392. 08
Total loans to producers, 1935 program	6, 582, 539. 25
Repayments of loans, 1935 program	737. 50
3. Loans on gum turpentine and rosin:	
Total loans to producers	6, 922, 505. 13
Repayments of loans	921, 446. 14

The Commodity Credit Corporation was created under the laws of the State of Delaware on October 17, 1933, pursuant to the President's Executive Order No. 6340 of October 16, 1933, and extended to April 1, 1937, by act of Congress, Public, No. 1, approved January 31, 1935. Its entire capital stock of $3,000,000 was subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration, who hold it jointly for and on behalf of the United States. Funds for this purpose have been made available by the President's allocation of $3,000,000 out of the $100,000,000 appropriation authorized by section 220 of the National Industrial Recovery Act and by the Fourth Deficiency Act of the fiscal year 1933, approved June 16 (Public, No. 77, 73d Cong.).

Under its bylaws the corporation is permitted to make loans only upon such commodities as may from time to time be designated by the President. These loans have contributed support to farm prices by enabling producers to retain title to products which might otherwise have been dumped upon the market with price-depressing effect. They have made it possible for producers themselves to gain the advantage of price increases which otherwise would have been lost to them through enforced marketing and have contributed to orderly marketing.

Under the policy established by the board of directors, loans have been made only upon commodities in connection with which adjustment or marketing programs of the Agricultural Adjustment Ad-

ministration have been developed. The plan adopted permits banks and other lending agencies to carry the loans on the prescribed form of note under a purchase guarantee, the Corporation agreeing to purchase eligible producers' notes when tendered on or before a specified date, usually 30 days prior to the notes' maturity date. The loans are extended at 4 percent interest.

I. LOANS ON COTTON

LOANS ON 1933–34 COTTON CROP

Loans on the 1933–34 cotton crop were approved October 18, 1933, on the basis of 10 cents per pound for cotton low middling in grade and seven-eighths inch or better in staple, and 8 cents per pound for such grades with staple less than seven-eighths inch. These loans originally matured July 31, 1934, but the maturity date was extended to February 1, 1935.

Disbursements by the Corporation in loans to producers on 1933 crop cotton aggregated $99,498,491.26 on 1,925,787 bales. As of December 31, 1935, loans repaid aggregated $99,181,159.32 on 1,919,286 bales. The balance of $317,331.94 in notes representing 6,501 bales of cotton has been taken over by the Corporation and is being liquidated as rapidly as possible. This represents loans of share croppers and others who have moved and for whom no present address is available. In addition to the loans disbursed by the Commodity Credit Corporation, banks and other lending agencies made loans aggregating approximately $21,000,000 on approximately 420,000 bales. These loans were repaid direct to such lending agencies. Thus the total loans made on 1933 crop cotton aggregated approximately $120,498,491.26 on approximately 2,345,787 bales.

The following tables 18, 19, and 20, show the disbursements and repayments of 1933 cotton loans, by months, the number of bales of cotton pledged and released, by months, and the average monthly price for middling seven-eighths-inch cotton at New Orleans. It will be noted that the price of middling seven-eighths-inch cotton at New Orleans showed a steady advance from October 1933, the month in which the loan program began functioning; and that repayments of loans were made principally in the months in which the higher average prices obtained. This indicates that the producers, through the help of the loans, were enabled to carry their cotton through the harvesting season when comparatively low prices obtained, and to realize the benefits of the higher prices which prevailed after January 1934.

TABLE 18.—*Loans to cotton producers under 1933–34 loan plan, by months*[1]

Month	Loans disbursed	Loans repaid	Loans outstanding
October 1933	$486,509.73		$486,509.73
November 1933	31,113,225.43	$1,994.69	31,597,740.47
December 1933	18,349,155.41	31,575.46	49,915,320.42
January 1934	7,839,586.34	416,814.36	57,338,092.40
February 1934	1,636,546.18	5,401,265.81	53,573,372.77
March 1934	724,470.64	9,333,781.48	44,964,061.93

[1] The increase in "loans disbursed" during May, June, and July is due chiefly to purchase of notes from banks and other lending agencies.

TABLE 18.—*Loans to cotton producers under 1933–34 loan plan, by months*—Continued

Month	Loans disbursed	Loans repaid	Loans outstanding
April 1934	$245,868.12	$5,815,366.47	$39,394,563.58
May 1934	2,296,373.40	1,192,434.49	40,498,502.49
June 1934	13,902,240.24	6,116,364.62	48,284,378.11
July 1934	22,881,444.26	13,613,299.02	57,552,523.35
August 1934	23,071.51	10,939,960.82	46,635,634.04
September 1934		6,442,581.19	40,193,052.85
October 1934		15,059,404.84	25,133,648.01
November 1934		9,433,791.08	15,699,856.93
December 1934		5,166,055.00	10,533,801.93
January 1935		4,517,870.11	6,015,931.82
February 1935		3,584,995.10	2,430,936.72
March 1935		1,935,341.22	495,595.50
April 1935		137,652.74	357,942.76
May 1935		29,068.95	328,873.81
June 1935		1,062.70	327,811.11
July 1935		2,718.69	325,092.42
August 1935		1,391.04	323,701.38
September 1935		811.80	322,889.58
October 1935			322,889.58
November 1935		206.10	322,683.48
December 1935		5,351.54	317,331.94
Total	99,498,491.26	99,181,159.32	317,331.94

TABLE 19.—*Number of bales of cotton pledged and released under 1933–34 loan plan, by months*

Month	Number of bales pledged	Number of bales released	Number of bales remaining pledged	Month	Number of bales pledged	Number of bales released	Number of bales remaining pledged
October 1933	9,917		9,917	January 1935	[1] 5,028	87,952	120,215
November 1933	597,432	40	607,309	February 1935		70,431	49,784
December 1933	356,319	484	963,144	March 1935		39,722	10,062
January 1934	152,139	7,762	1,107,521	April 1935		2,745	7,317
February 1934	31,685	104,166	1,035,040	May 1935		594	6,723
March 1934	14,108	180,359	868,789	June 1935		20	6,703
April 1934	4,732	112,903	760,618	July 1935		53	6,650
May 1934	44,283	22,389	782,512	August 1935		28	6,622
June 1934	268,261	117,172	933,601	September 1935		16	6,606
July 1934	441,425	263,357	1,111,669	October 1935			6,606
August 1934	458	211,350	900,777	November 1935		4	6,602
September 1934		124,153	776,624	December 1935		101	6,501
October 1934		290,659	485,965				
November 1934		182,325	303,640	Total	1,925,787	1,919,286	6,501
December 1934		100,501	203,139				

[1] Correction of agency report.

TABLE 20.—*Average prices (New Orleans) for middling ⅞-inch cotton, by months, October 1933–December 1935*

Month	Average price per pound	Month	Average price per pound
	Cents		*Cents*
October 1933	9.22	December 1934	12.79
November 1933	9.74	January 1935	12.70
December 1933	9.93	February 1935	12.58
January 1934	10.91	March 1935	11.57
February 1934	12.11	April 1935	11.81
March 1934	12.16	May 1935	12.31
April 1934	11.82	June 1935	11.96
May 1934	11.39	July 1935	12.15
June 1934	12.09	August 1935	11.36
July 1934	12.71	September 1935	10.68
August 1934	13.27	October 1935	11.16
September 1934	12.96	November 1935	12.00
October 1934	12.57	December 1935	11.82
November 1934	12.59		

LOANS ON COTTON IN PRODUCERS' POOL

Loans to the manager, cotton-producers' pool, of 4 cents per pound on cotton held by him, were approved November 18, 1933. These loans aggregated $38,991,041.76 on 1,949,552,088 bales of cotton and were repaid in full at maturity, July 31, 1934.

LOANS ON 1934–35 COTTON CROP

On September 6, 1934, loans of 12 cents per pound on cotton low middling or better in grade and ⅞ inch or better in staple, and 11 cents per pound on such grades of cotton with staple below ⅞ inch were approved. These loans originally matured July 31, 1935, but the maturity date was extended to February 1, 1936. A provision of this loan made any cotton to which the producer had maintained title, eligible in addition to the regular 1934 crop.

Disbursements in loans to the producers by the Corporation and by banks and other lending agencies under this 1934–35 cotton-loan program aggregated $282,643,977.97 on 4,631.810 bales. As of December 31, 1935, loans repaid aggregated $13,667,255.02 on 224,386 bales, leaving the outstanding loans to producers on the 1934–35 loan program as $268,976,722.95 on 4,407,424 bales.

The following tables, 21 and 22, show the disbursements and repayments of 1934 cotton loans, by months, and the number of bales pledged and released, by months.

TABLE 21.—*Loans to cotton producers under 1934–35 loan plan, by months*

Month	Loans disbursed	Loans repaid	Loans outstanding
September 1934	$6, 696, 260. 62		$6, 696, 260. 62
October 1934	90, 436, 536. 29		97, 132, 796. 91
November 1934	85, 909, 285. 03		183, 042, 081. 94
December 1934	40, 201, 549. 15	$820, 335. 57	222, 423, 295. 52
January 1935	19, 504, 647. 84	1, 538, 465. 64	240, 389, 477. 72
February 1935	9, 571, 396. 42	1, 632, 708. 12	248, 328, 166. 02
March 1935	13, 199, 377. 87	1, 929, 283. 67	259, 598, 260. 22
April 1935	9, 238, 320. 70	644, 309. 83	268, 192, 271. 09
May 1935	2, 676, 433. 50	1, 741, 624. 28	269, 127, 080. 31
June 1935	2, 970, 507. 50	806, 170. 42	271, 291, 417. 39
July 1935	1, 733, 218. 49	1, 434, 473. 70	271, 590, 162. 18
August 1935	506, 444. 56	2, 575, 490. 70	269, 521, 116. 04
September 1935		109, 345. 62	269, 411, 770. 42
October 1935		9, 905. 13	269, 401, 865. 29
November 1935		192, 360. 97	269, 209, 504. 32
December 1935		232, 781. 37	268, 976, 722. 95
Total	282, 643, 977. 97	13, 667, 255. 02	268, 976, 722. 95

TABLE 22.—*Number of bales of cotton pledged and released under 1934–35 loan plan, by months*

Month	Number of bales pledged	Number of bales released	Number of bales remaining pledged	Month	Number of bales pledged	Number of bales released	Number of bales remaining pledged
September 1934	108, 365		108, 365	June 1935	48, 500	13, 213	4, 446, 955
October 1934	1, 464, 271		1, 572, 636	July 1935	29, 058	23, 122	4, 452, 891
November 1934	1, 421, 356		2, 993, 992	August 1935	7, 802	44, 964	4, 415, 729
December 1934	662, 421	13, 059	3, 643, 354	September 1935		559	4, 415, 170
January 1935	322, 543	24, 901	3, 940, 996	October 1935		1, 259	4, 413, 911
February 1935	157, 986	26, 367	4, 072, 615	November 1935		2, 823	4, 411, 088
March 1935	215, 247	32, 339	4, 255, 523	December 1935		3, 664	4, 407, 424
April 1935	150, 232	10, 390	4, 395, 365				
May 1935	44, 029	27, 726	4, 411, 668	Total	4, 631, 810	224, 386	4, 407, 424

1934–35 LOANS ON COTTON IN PRODUCERS' POOL

Loans to the manager, cotton producers' pool, of 2 cents per pound on cotton held by the pool manager were approved November 13, 1934. A commitment of $20,000,000 was secured from the Reconstruction Finance Corporation for these loans. These loans aggregated $12,424,800.06 on 1,242,480 bales of cotton and were repaid in full by July 31, 1935, the date of maturity.

LOANS ON 1935–36 COTTON CROP

On September 13, 1935, loans of 10 cents per pound on cotton low middling in grade and ⅞ inch or better in staple, and 9 cents per pound on such grades of cotton with staple below ⅞ inch on cotton produced in the 1935 season, were approved. As of December 31, 1935, advices received indicated that loans made aggregated $3,028,269.01 on 59,277 bales of cotton. Of this amount $296,048.34 had been disbursed by the Commodity Credit Corporation and the balance was held by banks and other lending agencies. As of the same date, repayments aggregated $170,535.14 on 3,316 bales of cotton. These loans mature July 31, 1936.

II. CORN LOANS

CORN-LOAN PROGRAM IN 1933–34

Loans of 45 cents per bushel on corn stored on the farm in surplus corn-producing areas, were approved November 18, 1933. The loans originally matured July 31, 1934, and were finally extended to October 15, 1934. These loans to producers, disbursed by the Commodity Credit Corporation on 267,758,222 bushels of corn, aggregated $120,491,265.41, and have been repaid in full. It is estimated that loans made by banks and other lending agencies and repaid direct to such lending agencies, figures on which are not included in loans disbursed by the Commodity Credit Corporation, aggregated approximately $1,350,000 on approximately 3,000,000 bushels of corn. Including the loans made by banks and other lending agencies, the total loans to corn producers made on 270,758,222 bushels aggregated $121,841,265.41.

Tables 23, 24, and 25 give the disbursements and repayments of corn producers' loans by months, the number of bushels of corn collateral held, by months, and the monthly average price for Chicago No. 2 corn. It shows that the producers have been enabled both to carry their corn and to realize benefits from the advancing prices. A comparison of the average monthly price, by months, and the number of bushels of corn released against repayments of loans, will indicate the extent to which the producers have benefited. The 1933–34 corn-loan program also enabled the producers to hold their corn on the farms and in the ear for feeding requirements.

TABLE 23.—*Loans to corn producers under 1933–34 loan program, and repayments, by months*

Month	Loans disbursed	Loans repaid	Loans outstanding
December 1933	$14, 560, 107. 87	$1, 544. 40	$14, 558, 563. 47
January 1934	30, 432, 381. 94	9, 406. 60	44, 991, 538. 81
February 1934	20, 484, 209. 67	31, 825. 75	65, 443, 922. 73
March 1934	14, 993, 465. 14	74, 047. 39	80, 363, 340. 48
April 1934	6, 767, 301. 20	119, 187. 47	87, 011, 454. 21
May 1934	3, 886, 450. 70	247, 513. 03	90, 650, 391. 88
June 1934	28, 686, 808. 61	2, 967, 410. 40	116, 369, 790. 09
July 1934	670, 196. 87	15, 348, 752. 19	101, 691, 234. 77
August 1934	2, 337. 11	37, 759, 238. 20	63, 934, 333. 68
September 1934		27, 283, 325. 57	36, 651, 008. 11
October 1934		24, 388, 596. 12	12, 262, 411. 99
November 1934		9, 879, 990. 25	2, 382, 421. 74
December 1934	(225. 00)	1, 838, 529. 70	543, 667. 04
January 1935	(1, 768. 70)	413, 516. 51	128, 381. 83
February 1935		104, 216. 43	24, 165. 40
March 1935		19 487. 69	4, 677. 71
April 1935		3, 704. 79	972. 92
May 1935		731. 27	241. 65
June 1935		241. 65	
Total	120, 491, 265. 41	120, 491, 265. 41	

TABLE 24.—*Corn collateral held under 1933–34 corn-loan program, by months*

Month	Number of bushels pledged	Number of bushels released	Number of bushels remaining pledged
December 1933	32, 355, 795	3, 432	32, 352. 363
January 1934	67, 649, 738	20, 904	99, 981, 197
February 1934	45, 520, 466	70, 724	145, 430, 939
March 1934	33, 318, 811	164, 550	178, 585, 200
April 1934	15, 038, 447	264, 861	193, 358, 786
May 1934	8, 636, 557	550, 029	201, 445, 314
June 1934	63, 748, 463	6, 594, 245	258, 599, 532
July 1934	1, 489, 326	34, 108, 338	225, 980, 520
August 1934	4, 605	83, 908, 827	142, 076, 298
September 1934		60, 436, 771	81, 639, 527
October 1934		54, 275, 116	27, 364, 411
November 1934		21, 993, 490	5, 370, 921
December 1934	(500)	4, 114, 405	1, 256, 016
January 1935	(3, 486)	916, 876	335, 654
February 1935		244, 470	91, 184
March 1935		56, 924	34, 260
April 1935		32, 098	2, 162
May 1935		1, 625	537
June 1935		537	
Total	267, 758, 222	267, 758, 222	

TABLE 25.—*Average prices at Chicago for No. 2 corn, by months, December 1933–December 1935*

	Average price per bushel		Average price per bushel
December 1933	$0. 48	January 1935	$0. 93
January 1934	. 51	February 1935	. 90
February 1934	. 49	March 1935	. 85
March 1934	. 49	April 1935	. 90
April 1934	. 48	May 1935	. 89
May 1934	. 53	June 1935	. 86
June 1934	. 59	July 1935	. 86
July 1934	. 64	August 1935	. 83
August 1934	. 77	September 1935	. 84
September 1934	. 81	October 1935	. 86
October 1934	. 79	November 1935	. 69
November 1934	. 87	December 1935	. 62
December 1934	. 95		

CORN-LOAN PROGRAM IN 1934-35

Under the 1934–35 corn-loan program the loan was advanced to 55 cents per bushel on 1933 and 1934 corn stored on farms in accordance with State warehouse requirements. This loan was approved September 27, 1934, and matured July 1, 1935.

These loans to producers, disbursed by the Commodity Credit Corporation on 7,845,727 bushels of corn, aggregated $4,313,743.15 and have been paid in full. Banks and other lending agencies made loans and received repayments direct, figures on which are not included in loans disbursed by the Commodity Credit Corporation, aggregating $6,728,648.83 on 12,229,368 bushels of corn. Including the loans made by banks and other lending agencies, the total loans to corn producers on the 1934 corn-loan program made on 20,075,095 bushels aggregated $11,042,392.08.

Tables 26 and 27 give the disbursements and repayments of loans disbursed by the Commodity Credit Corporation and the number of bushels of corn collateral by months.

TABLE 26.—*Loans to corn producers on 1934 crop, by months*

Month	Loans disbursed	Loans repaid	Loans outstanding
October 1934	$357, 848. 81		$357, 848. 81
November 1934	2, 264, 836. 42	$25, 615. 69	2, 597, 069. 54
December 1934	952, 247. 95	80, 715. 88	3, 468, 601. 61
January 1935	295, 548. 01	188, 749. 73	3, 575, 399. 89
February 1935	168, 387. 26	235, 601. 70	3, 508, 185. 45
March 1935	114, 105. 47	378, 155. 97	3, 244, 134. 95
April 1935	21, 973. 05	500, 601. 79	2, 765, 506. 21
May 1935	19, 185. 65	743, 200. 29	2, 041, 491. 57
June 1935	73, 105. 88	1, 201, 196. 90	913, 400. 55
July 1935	46, 504. 65	869, 499. 42	90, 405. 78
August 1935		88, 239. 44	2, 166. 34
September 1935		1, 648. 22	518. 12
October 1935		518. 12	
Total	4, 313, 743. 15	4, 313, 743. 15	

TABLE 27.—*Corn collateral held under 1934–35 loan program, by months*

Month	Number of bushels pledged	Number of bushels released	Number of bushels remaining pledged	Month	Number of bushels pledged	Number of bushels released	Number of bushels remaining pledged
October 1934	650, 634		650, 634	June 1935	134, 738	2, 194, 040	1, 678, 270
November 1934	4, 118, 687	43, 565	4, 725, 756	July 1935	84, 154	1, 585, 752	176, 672
December 1934	1, 734, 842	148, 567	6, 312, 031	August 1935		168, 994	7, 678
January 1935	534, 447	342, 156	6, 504. 322	September 1935		5, 509	2, 169
February 1935	305, 923	423, 422	6. 386, 823	October 1935		2, 169	
March 1935	208, 922	682, 275	5, 913, 470				
April 1935	38, 497	898, 185	5, 053, 782	Total	7, 845, 727	7, 845, 727	
May 1935	34, 883	1, 351, 093	3, 737, 572				

Under the 1935 corn loan program, approved November 27, 1935, the loan was made on the basis of 45 cents per bushel as in 1933. This loan matures July 1, 1936. On December 31, 1935, corn loans extended under this program totalled $6,582,539.25, of which $669,676.77 had been disbursed by the Commodity Credit Corporation and the balance by banks and other lending agencies. As of that date $737.50 had been repaid.

III. LOANS ON GUM TURPENTINE AND ROSIN

The loan program with reference to gum rosin and gum turpentine, like all others being predicated upon the existence and continuance of an effective plan or program of production or market adjustment under the Agricultural Adjustment Administration Act, was terminated effective midnight of July 31, 1935, by the Corporation upon the cancelation of the marketing agreement and license of processors approved by the Secretary of Agriculture, February 20, 1934.

Loans were restricted to 50 percent of the producers' marketable quota for the period May 1 to October 1, 1935, under the marketing agreement referred to, and were made upon the basis of $50 per unit at the port points with proper differentials for interior points and for the various grades of rosin.

Loans were made directly to producers and matured March 31, 1936. As of December 31, 1935, outstanding loans and advances were $6,005,088.31 on 7,430,466.5 gallons of gum turpentine and 524,132.48 barrels of gum rosin.

IV. FUNDS DERIVED FROM RECONSTRUCTION FINANCE CORPORATION

With the exception of its $3,000,000 paid-in capital and its earnings, all funds used by Commodity Credit Corporation for its loans have been derived from commitments made by the Reconstruction Finance Corporation.

The Commodity Credit Corporation has handled the loans in the field through the loan agencies of the Reconstruction Finance Corporation and under this arrangement has not found it necessary to maintain offices outside of Washington.

V. STATEMENT OF INCOME AND EXPENSE

There follows a statement of income and expense of the Corporation from the date of its incorporation to December 31, 1935 (table 28). It will be noted that the total income collected has exceeded the total expenses by $778,925.10, and in addition the net interest accrued but not collected totals $2,936,747.63, making the net profit as of December 31, 1935, a total of $3,715,672.73.

TABLE 28.—*Statement of income and expense, Commodity Credit Corporation, as of Dec. 31, 1935*

Income collected:	
Interest on notes—net	$1, 426, 460. 20
Miscellaneous income	525. 44
Total income collected	1, 426, 985. 64
Expenses:	
Loan forms	98, 991. 01
Agency expense	108, 868. 63
Inspection expense	48, 150. 10
Administrative expense	392, 050. 80
Total expense	648, 060. 54
Net income collected	778, 925. 10
Accrued uncollected interest—net	2, 936, 747. 63
Net profit	3, 715, 672. 73

CHAPTER 6

CONSUMERS' COUNSEL

SALIENT FACTS ABOUT FOOD COSTS

1. Retail value of quantity of 10 important foods used by typical workingman's family in month:	
1925–29 average	$26.81
1932 average	17.30
1935 average	21.94
2. Farm value of quantity of 10 important foods used by typical workingman's family in month:	
1925–29 average	13.64
1932 average	6.04
1935 average	10.57
3. Percent cost of living in October 1935 was of 1923–25 average	80.8
4. Percent food cost in October 1935 was of 1923–25 average	80.2

The Consumers' Counsel has a twofold responsibility: (1) To the administration of the farm program and (2) to the general public as consumers of farm products.

I. PARTICIPATION IN FORMULATION OF PROGRAMS

Under its first function the staff of the Consumers' Counsel has participated in the economic analyses and in the conferences and hearings that have preceded the adoption of control programs for basic commodities, and the establishment of marketing agreements, licenses, and orders covering other commodities. In all such participation the primary interest of the Consumers' Counsel has been to see that an adequate supply of farm products for the consumer is maintained, and that such measures as would cause an undue spread between farm and retail prices, are avoided.

Consumers' Counsel appeared at public hearings during 1935 on the questions of whether production control should be undertaken for 1936 on corn and hogs and on potatoes. Representatives of the Division appeared at all hearings during the year on proposed marketing agreements for milk and general crops, presenting testimony and questioning witnesses with a view to establishing the consumer's position with respect to the proposed agreements. While consumers and consumer organizations are entitled to attend, testify, and question witnesses at these public hearings, the number of consumers actually attending has been small, and the Consumers' Counsel has undertaken to inform consumers and their organizations on dates and places of hearings and the subject matters under consideration.

The Division assembles statistics on retail prices of food and other farm products, on the spread between farm and retail prices, on processors' margins and the financial statements of processors, and on the relation between consumers' income and changes in retail prices. These statistics are made public from time to time through the Consumers' Guide, press releases, public addresses, and radio programs. In addition, the research section of the Division analyzes statistics on supplies and prices of food products in order to determine the probable effect of adjustment measures on supplies available for domestic consumption.

II. INFORMATION FOR CONSUMERS

When depression reduced incomes many families sought information on how to make small incomes cover as many wants as possible. Schools, colleges, and women's organizations developed classes for studying this problem. At the same time, schools, clubs, and individuals made insistent demands for aid in understanding the interrelation of producers' and consumers' interests. The Agricultural Adjustment Administration has, from the first, recognized that a clear consumer understanding of the purposes and methods of agricultural adjustment, with objectives presented in consumer terms, is essential. It has realized also that one aid to agriculture is the education of consumers in selecting and utilizing agricultural commodities, with a view to increasing, within the limits of consumers' resources, the useful consumption of food and fibers.

Under the provisions of the Agricultural Adjustment Act as originally passed and as later amended, one function of the Consumers' Counsel has been the dissemination of nontechnical information on the provisions and objectives of production-control programs; on marketing agreements, purchases of surplus farm commodities, and other functions of the Adjustment Administration; on changes in supplies and consumption of agricultural commodities; on the relation between movements in the prices of foods and of other commodities; on costs of processing and distribution and on experiments in reducing such costs; on such aids to consumers as enable them to get the greatest possible value from their expenditures.

PUBLICATION OF THE CONSUMERS' GUIDE

As one means of disseminating such information the biweekly publication of an illustrated periodical, the Consumers' Guide, was commenced in September 1933. This periodical has been distributed to newspapers; to State agricultural extension workers; to universities, high schools, and workers' education groups; to Federal, State, and local government agencies working on nutritional problems of underprivileged families; to county consumers' councils; to officers of women's and professional organizations, both local and national; to local and national labor unions; and to individuals upon their request.

USE OF RADIO

Throughout its existence the Consumers' Counsel Division has cooperated with the General Federation of Women's Clubs in a weekly broadcast over a national network, designed to promote a better un-

derstanding of consumers' interest in agricultural adjustment, and to acquaint consumers with Government information and services available in helping them meet individual consumer problems.

A series of 10-minute radio speeches, called Consumer Facts, has been developed in cooperation with the Radio Service of the Department of Agriculture. Approximately 200 radio stations have scheduled this service for weekly local broadcasts. The range of subject matter in this series is similar to that of the Consumers' Guide and the broadcast made in cooperation with the General Federation of Women's Clubs.

III. COSTS BETWEEN PRODUCER AND CONSUMER

Essential to the protection of consumer interest in an economic program is access to facts on costs between the producer and the consumer. Under the Agricultural Adjustment Act the Consumers' Counsel does not have authority to require industry to report such costs, but through the Consumers' Guide, and in press releases, industries have from time to time been requested to supply such information, voluntarily, to consumers.

In 1935, for example, there was proposed in some quarters a Nation-wide increase of 1 cent a pound in the price of bread. Considerable misleading or inadequate information on the necessity of such an increase, was given out. The Consumers' Counsel addressed a questionnaire to 467 baking companies in 34 cities where such an increase was reported to be contemplated or in effect, requesting that the bakers make available to consumers the facts about changes that had taken place in the cost of their ingredients.

Up to January 20, 1936, only 125 of the firms receiving the questionnaire had replied; 50 had stated that they had not raised bread prices, 29 had replied without giving the information asked for, 39 had promised to give the information, but only 7 had actually supplied the data requested.

PRICE ADVANCE DID NOT TAKE PLACE

However, the general price advance of 1 cent a pound which had been discussed, did not take place. Up to January 14, 1936, the average price of a pound loaf had advanced 1 cent or more in only two cities reported on by the Bureau of Labor Statistics, and those increases merely brought prices more closely into line with the average for the country. In nine cities the average increase had been from one-half cent to one cent. Average bread prices elsewhere showed little appreciable upward movement. The majority of bakers had not joined in a concerted price rise greater than the amount of increased ingredient costs brought about by drought and rust.

IV. FARMERS' SHARE OF THE CONSUMERS' FOOD DOLLAR

The portion of the consumers' retail food dollar that went to farmers increased through the year 1935. Calculations based upon the estimated cost of monthly purchases of 10 important foods by a typical workingman's family showed that the farmers' share in December 1934, was 46 cents and by December 1935, had increased to

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50 cents. Distribution of this retail food dollar in recent years and in earlier periods is shown in table 29. While the farm value of these foods increased from an average of $8.14 in 1934 to $10.57 in 1935, the retail value increased from $19.06 to $21.94. Since the margin between these two values, which went to transporters, processors and handlers, increased only 45 cents, the portion of the retail dollar going to the farmer increased from 42.7 cents in 1934 to 48.2 cents in 1935. The farmer's share in 1935 was the highest since 1929 when he received 50 cents out of each consumer's dollar spent for these 10 foods. His share in 1935 was almost up to what he received in the 10 years, 1920 to 1929, but was still considerably below the share he received before 1920.

TABLE 29.—*Farm value, retail value and margin for transportation, processing, and marketing of the quantity of 10 foods*[1] *used by a typical workingman's family in a month, for specified periods*[2]

Years	Value at farm	Retail value	Margin between values at farm and at retail	Farmers' share of retail food dollar
	Dollars	*Dollars*	*Dollars*	*Cents*
1910–14 Average	9.18	16.30	7.13	56.3
1915–19 "	14.34	23.72	9.38	60.0
1920–24 "	13.27	26.41	13.14	49.8
1925–29 "	13.64	26.81	13.18	50.9
1930	11.91	25.49	13.58	46.7
1931	8.36	20.86	12.50	40.1
1932	6.04	17.30	11.26	34.9
1933	[3] 6.62	16.99	10.37	[3] 39.0
1934	[3] 8.14	19.06	10.92	[3] 42.7
1935	[3] 10.57	21.94	11.37	[3] 48.2

[1] Foods included are: 14.8 pounds of beef, 12.1 pounds of pork, 2 pounds of hens, 5.1 pounds of butter, 1.2 pounds of cheese, 58.8 pounds of potatoes, 21.7 pounds of flour and 32.9 pounds of bread, 5.1 dozen eggs, and 39.8 quarts of milk.

[2] Source: Division of Marketing Research, Bureau of Agricultural Economics, U. S. Department of Agriculture.

[3] Computed on the assumption that all of the processing tax was returned in benefit payments to the farmers. The amounts thus included as processing taxes were: $0.37 for 1933, $0.80 for 1934, and $0.83 for 1935.

V. COST OF LIVING IN 1935

The rise in the cost of living during 1935 was of only moderate proportions. Table 30 shows that the cost-of-living index for wage earners and low-salary workers, published by the Bureau of Labor Statistics, increased between November 1934 and October 1935 from 79.0 to 80.8, or 2.3 percent, the 3 years 1923–25 being the base period. The latest available report from the Bureau of Labor Statistics is that for October 1935. For earlier years, the dates most nearly comparable with October 1935 are November and December, as presented in the table.

TABLE 30.—*Indexes of the cost of living in October 1935 and in comparable months of earlier years*[1]

[1923–25=100]

Item	December 1929	December 1932	December 1933	November 1934	October 1935
All items	99.7	76.6	77.2	79.0	80.8
All items except food	96.8	82.1	80.8	80.8	81.1
Food	105.7	64.7	69.4	75.2	80.2
Clothing	92.2	69.5	76.2	77.8	78.0
Rent	93.3	72.7	63.9	62.7	63.3
Fuel and light	99.5	90.1	90.3	89.3	88.3
House furnishings	89.9	65.6	73.5	75.5	77.0
Miscellaneous	103.4	98.8	96.8	96.7	96.6

[1] Source: U. S. Bureau of Labor Statistics.

Among the six items covered by this general index the most pronounced change during 1935 occurred in the case of foods. Advances on clothing, rent, and housefurnishings were recorded, but in October 1935 these items were higher by not more than 2 percent than they had been in November 1934, whereas the food cost index rose approximately 7 percent in the same period. During that period the cost of fuel and light and of miscellaneous expenditures decreased slightly. The data in table 30 show further that the index of the cost of food, and that of the total cost of living, had attained substantially the same level in October 1935. The greater rise in the food index during the year therefore signified, not that the cost of food was rising out of proportion to other living expenses, but that during the depression it had declined to a lower point, and was recovering more rapidly.

If the relationship between food costs and other living costs that existed in 1923–25 be taken as the normal relationship, then these two items had returned to normal in October 1935.

Compared to the high levels of December 1929, food costs in October 1935 were relatively lower than other items in the cost of living, except rent. The rent index declined to its low point in 1934 and has recovered only slightly. Based on the level for December 1929, the indexes for October 1935 were: Food, 75.8; clothing, 84.5; rent, 68.9; housefurnishings, 85.7; fuel and light, 88.3; and miscellaneous, 93.4.

CHAPTER 7

AGRICULTURAL EXPORTS AND IMPORTS

Trends in the exports of farm products from the United States and in the imports of such goods into this country have been heavily influenced during the past 3-year period by numerous factors other than the operation of the agricultural adjustment program.

Outstanding among these factors have been the devaluation of the American dollar, the barriers raised by European countries against the importation of American agricultural products across their frontiers, the drought of 1934 covering the greater portion of the principal agricultural region of this country, and the world levels of production and prices of agricultural commodities.

Exportation of farm products from this country has been, traditionally, the accepted method of marketing surplus American agricultural production and at the same time paying off American debts to foreign creditors. Under changed economic conditions in the world markets and in the light of the realization that exports representing the natural fertility of American soil may not be profitable when they are sold at too low a price, new consideration has been given to the entire subject of foreign trade in farm products.

I. THE TREND OF AGRICULTURAL EXPORTS

Since the World War the trend in United States exports of farm products has been downward. This fact may be attributed to declines in exports of foodstuffs and tobacco, cotton having shown no downward trend for the period as a whole.

Agricultural exports from the United States reached their peak during and immediately after the World War. Europe's wartime need for foodstuffs and Government loans from the United States to foreign countries accounted for unusually large exports of American goods at unusually high prices. When the Government loans were discontinued, agricultural exports from this country decreased in both quantity and value. This decline was temporarily arrested during the latter 1920's when private loans from the United States materially increased foreign purchasing power. When these private loans practically ceased United States exports, both agricultural and nonagricultural, were sharply reduced. In 1932–33 agricultural exports had fallen in volume to 71 percent of the average for 1924–25 to 1928–29, and had declined in value to 30 percent of the average for the same period.

Although the flow of agricultural commodities from the United States to foreign countries had been closely related to the flow of capital from this country during the post-war period, there have been other important causes of the decline of American agricultural exports.

By about 1925 the pre-war level of agricultural production in Europe had been regained. Since then, technical improvements in European agriculture have resulted in a production considerably above the highest pre-war peaks. Meanwhile, population in Euro-

pean countries has not increased nearly so rapidly as it was increasing before the war, and has become practically stationary in some of the wealthier industrial countries.

Consequently, during the post-war period, the supply of foodstuffs in Europe practically kept pace with the demand, and during the depression years when the purchasing power of consumers was reduced, the supply in relation to the effective demand actually increased in several importing European countries. While European import requirements have failed to increase during the post-war period, or at least have failed to maintain nearly the pre-war rate of increase, exporting countries outside of Europe, such as Argentina, Canada, and Australia, competing with the United States, have increased their share of exports to Europe at the expense of the United States' share.

EUROPEAN PRODUCTION INCREASED BEHIND TRADE BARRIERS

In the development of this situation, trade barriers have played an important part, particularly since the beginning of the depression. Although the major food-importing countries of continental Europe have materially increased their yields through technical improvements and increased applications of fertilizers, their intensive methods of production involve much higher costs than are incurred in countries with more abundant soil resources, such as the United States and other exporting countries. Only the protection of high tariffs and other price-raising measures has made possible the increase of European production. During the depression, the trade barriers of European countries were raised to unprecedented heights, their agricultural production was further increased, and their imports were reduced.

The rise of European trade barriers has been related to United States tariff policies and to developments in the balance of international payments. The height of the United States tariff during the post-war period has made it more difficult for foreign countries to pay their debts to this country without incurring serious monetary difficulties, and has induced them to raise their own barriers against American goods in order to avoid such difficulties. At the same time the motive of retaliation has been present.

The major changes in both volume and value in United States agricultural exports since 1928–29 are indicated in table 31.

TABLE 31.—*Exports of farm products from the United States, 1928–29 to 1934–35 and July–December, 1934 and 1935*

Year beginning July 1	Index numbers (1924–25 to 1928–29=100)		Value in millions of dollars	Year beginning July 1	Index numbers (1924–25 to 1928–29=100)		Value in millions of dollars
	Volume [1]	Value			Volume [1]	Value	
1928–29	98	95	1,847	1933–34	70	40	789
1929–30	82	77	1,496	1934–35	45	34	669
1930–31	76	53	1,038	July–December 1934	48		392
1931–32	82	39	752	July–December 1935	55		470
1932–33	71	30	590				

[1] Index numbers of volume are based on a selected group of agricultural commodities representing 96 percent of total agricultural exports.

VALUE OF FARM EXPORTS INCREASED AFTER 1932–33

Table 31 shows that both volume and value of exports declined until 1932–33, when value reached its lowest point. Since then, value has increased. Volume continued to decline until 1934–35, but during the last 6 months of 1935 showed some improvement over the corresponding 6 months of the preceding year.

The continued reduction in volume has been due in large part to further tightening of foreign trade barriers. Particularly important have been the intensification of exchange restrictions by Germany and the adoption of such restrictions by Italy, both of which actions seriously affected American exports of cotton. Other factors, partly temporary, have contributed to the reduction in volume of agricultural exports in 1934–35. The adjustment programs tended in some instances to decrease the volume and increase the value of farm commodities available for export. Large stocks of cotton were accumulated abroad in 1933, and during 1934 foreign countries used these stocks and temporarily reduced their imports below normal. In addition there was some increase in foreign competition from Brazil and other sources, and the price-raising effects of the 12-cent cotton loan in this country tended to check exports.

In regard to other products, the 1934 drought temporarily eliminated a substantial portion of the usual surplus available for export. The United States shifted to a net importing basis on wheat, and exports of animal products, particularly lard, were sharply reduced.

During the last 6 months of 1935 unfavorable weather conditions continued to influence exports of American farm products. Abnormally low yields of certain types of wheat, principally because of rust damage in the spring-wheat region, put wheat on a net import basis again for the present season. The output of animal products is still seriously affected by the results of the feed shortage of 1934–35. In consequence, United States exports of lard during the last 6 months of 1935 were even smaller than those in the corresponding period of the preceding year.

RECENT VOLUME GAINS IN COTTON, FRUIT, AND TOBACCO

The continued decline in volume of exports of grains and animal products was more than offset during the last 6 months of 1935 by substantial gains in cotton and fruits and a slight gain in tobacco. In general, the gains in these commodities have been due to two principal factors: (1) Partial restoration of purchasing power abroad, which has brought about some increase in consumption of American agricultural goods; and (2) some alleviation of trade barriers through the trade-agreements program adopted during the period in question.

The partial recovery in value of agricultural exports since 1932–33 is due to the fact that the increase in world prices in terms of dollars has more than compensated for continued reductions in volume. The increase in world prices must be attributed mainly to the recovery from the depression, which has been at least partial in most countries of the world. Some special factors are also present, however. The reduction of excessive stocks of cotton and tobacco through the operations of the adjustment programs has undoubtedly

done much to strengthen the export prices of these commodities. There has been the same tendency in the case of wheat, but it has been overshadowed by the effects of unfavorable weather.

Devaluation of the dollar also has had an effect, the extent and exact nature of which cannot easily be ascertained. The currencies of other important countries have also declined, in terms of gold, at the same time as the dollar, and devaluation has tended not only to raise prices in terms of dollars, but to reduce prices in terms of gold. Moreover, the raising of prices in terms of dollars has been offset in part by the fact that devaluation, by stimulating American exports of manufactured products without a corresponding stimulus to imports into this country, and by giving rise to a flight of capital from foreign countries to the United States, has tended to drain foreign countries of their gold, thus strengthening their motives for intensification of trade barriers.

GRAINS AND ANIMAL PRODUCTS DECLINE IN RELATIVE IMPORTANCE

During the depression years, considerable changes took place in the composition of American agricultural exports. Among the items that declined in relative importance, grains and animal products are outstanding.

While pork production in the United States has been reduced almost to a domestic basis, the production of even the domestic requirements for pork in the form of meat involves the production of considerably more lard than is required for domestic consumption. Consequently, while American exports of pork have been displaced by pork from European hogs, fed principally on corn from Argentina, American exports of lard have been relatively well maintained, and the corn-hog industry has thereby been maintained substantially on an export basis.

The great shrinkage of world trade in wheat has been accompanied by a relative as well as an absolute decline in the share of the United States in this trade. Because the United States net import basis for wheat is due to exceptional weather conditions, the condition is likely to be temporary.

Cotton occupies first place among those commodities of which exports have, on the whole, been well maintained. Cotton has not been subjected to trade restrictions and tariffs to nearly the same degree as foodstuffs and tobacco. Moreover, cotton consumption in foreign countries has kept up well. Although production in competition with American cotton has been expanding for two generations and is still expanding in such countries as Brazil and China, and some European countries are restricting their cotton imports and attempting to develop synthetic substitutes, these developments do not threaten to cut into the American cotton trade to anything like the same extent as foreign competition and import restrictions have narrowed the available foreign markets for several other American agricultural products.

Increasing foreign consumption has been responsible for the increase in exports of American fruits even during the depression years. This factor has more than offset the effect of increased pro-

duction both in this country and abroad and has softened the effect of strengthening Europe's trade barriers against American fruit.

II. AGRICULTURAL IMPORTS

United States imports of various agricultural products increased in 1934 and 1935 above the average levels for previous years. This was true as regards certain "competitive" commodities produced in the United States, as well as regards such commodities as rubber, coffee, and bananas not ordinarily grown in the United States.

The increases in imports of the products which are grown in the United States were related primarily to shortages in domestic production, due chiefly to low yields caused by the drought of 1934, and in some cases to new sources of demand for these commodities.

The adjustment programs, by helping to raise American farm prices to a point where the American market attracted imports, were to some extent a factor in the situation of which a spill-over of farm imports was evidence. There are no farm imports when American farm prices are down so low that no other country wants to sell or can afford to sell on the American market. Competitive imports of farm products caused no difficulty in 1932.

IMPORTS SMALL PERCENTAGE OF DECLINE IN PRODUCTION

After the drought, American farmers drew more heavily than usual upon foreign sources to help offset the depletion in supplies of some American products. Despite the increases, however, these imports have constituted only a small percentage of the loss caused by the drought and a much smaller percentage of the domestic production of the commodities imported. While increases in the importations of grains were particularly marked, they contributed only a small fraction of the total feed supplies available to farmers to carry their livestock through the period of feed shortage.

The proportion borne by the imports of grains, to the total domestic production, even during the drought period, is apparent when combined production of the principal feed and cereal grains—wheat, corn, oats, barley, and rye—measured in tons, is compared with the combined tonnage of imports of the same grains. In the crop year 1934–35 this production was approximately 50,711,461 tons, a drop of 49 percent, or 47,446,071 tons from the 1928–32 average production.

In the same crop year the imports of these grains totaled about 2,267,837 tons, or 4.4 percent of the reduced domestic production for the year, 2.3 percent of the average annual production, and only 4.7 percent of the loss in 1934–35 production from the annual average production. The tonnage of imports of these grains in 1934–35 rose from the 5-year average of 506,501 tons to 2,267,837 tons, an increase of 1,761,336 tons. But this increase in imports amounted to only 3.7 percent of the decrease in production.

During the first 6 months of the crop year 1935–36 for which figures are available, imports of grains amounted to approximately 1,185,808 tons and were dropping rapidly as the effect of the increased 1935–36 domestic production was felt. In oats and rye, for example, imports had dropped to zero in January 1936.

DROUGHT AFFECTED DIFFERENT COMMODITIES DIFFERENTLY

Not all commodities were affected by drought in the same way or to the same degree. Nor did increases in imports always coincide in point of time with the deficits in the domestic supplies of the commodities imported. In general, deficits in the production of feed and cereal grain crops in the crop year 1934–35 were related to increases in imports which commenced during the first half of the calendar year 1934. In addition to the effects of the drought of 1934, growing conditions for some crops such as wheat and corn were unfavorable during 1935 and caused further reduction in supplies.

There was a lag in the effect of the drought reduction in supplies of feed for livestock, on the domestic supply of meat products. The immediate effect of drought was to increase the killing of animals so as to save feed. The later effect was to reduce meat supplies. The reactions on imports of meat products consequently did not reach its peak until in the calendar year 1935.

WHEAT IMPORTS 1934–35 ONLY 8.3 PERCENT OF DROUGHT LOSS

United States production of wheat in the crop year 1934–35 was 496,929,000 bushels, a drop of 363,641,000 bushels from the annual average of 860,570,000 bushels for the 5-year period 1928–32. Of this reduction, it is estimated that 309,417,000 bushels were chargeable to the drought and 54,224,000 bushels to acreage reduction in accordance with adjustment contracts under the Agricultural Adjustment Act.

Wheat imported for consumption in the United States during the wheat-marketing year, August 1934 to July 1935, totaled 25,902,000 bushels or 8.3 percent of the loss caused by the drought, and 5.2 percent of the United States production for the crop year. Wheat for human consumption pays a tariff of 42 cents a bushel on importation into this country. The average farm price of wheat for the United States for the calendar year 1934 was 84.7 cents a bushel.

In the 1935–36 crop year, production of all wheat in the United States totaled 603,199,000 bushels, or 257,371,000 bushels less than the 5-year (1928–32) average. Imports in the first 6 months of the marketing year beginning August 1, 1935, amounted to 27,415,000 bushels. In the calendar years 1934 and 1935, of the total imports of 57,413,000 bushels of wheat, 27 percent, or 15,623,000 bushels, were of wheat unfit for human consumption, brought into the country chiefly as feed for livestock in the drought-affected areas. Imports of wheat reached their peak in October of 1935 when they amounted to 6,583,000 bushels. In November, imports were 5,541,000 bushels; in December, 5,102,000 bushels; and in January 1936 they were 2,231,000 bushels. The average farm price of wheat in the United States in 1936 was 83.8 cents per bushel.

The domestic shortage of certain kinds of wheat caused American prices to rise to the top of the tariff wall. Farmers in 1934 and 1935 began to get the full effect of the wheat tariff. The existence of imports of wheat showed that wheat prices had actually risen to the extent of the tariff.

CORN PRODUCTION DOWN 1,185,021,000 BUSHELS

Production of corn in the United States in the 1934–35 crop year was 1,377,126,000 bushels, a deficit of 1,185,021,000 bushels from the 1928–32 average of 2,562,147,000 bushels. That portion of the reduction chargeable to drought was 1,003,336,000 bushels, and the reduction due to acreage adjustment contracts is estimated at 181,685,000 bushels. Imports of corn in the marketing year, November 1934 to October 1935, amounted to 41,142,000 bushels or only 2.9 percent of the production for the corresponding crop year, low as it was, and to 4.1 percent of the year's loss through drought. Corn imported into the United States pays a tariff duty of 25 cents per bushel. The average farm price of corn in the United States in 1934 was 81.6 cents per bushel. Corn prices also were up to the top of the tariff wall.

Importations of corn into the United States to offset drought reduction and the unfavorable conditions of 1935, reached their peak in the latter year. Production in the crop year 1935–36 totaled 2,202,852,000 bushels, or 359,295,000 bushels less than the 5-year average. In the first 3 months of the marketing year beginning November 1, 1935, corn imports amounted to 5,612,000 bushels, with a distinct downward trend apparent. The average farm price of corn in the United States in 1935 was 57.7 cents per bushel.

OAT CROP IN 1934–35 REDUCED 691,757,000 BUSHELS

Oats production in the United States in the crop year 1934–35 was 525,889,000 bushels, or 691,757,000 bushels less than the 1928–32 average of 1,217,646,000 bushels. There was no oats adjustment program under the Agricultural Adjustment Act. Imports during the marketing year beginning August 1, 1934, and ending July 30, 1935, amounted to 15,492,000 bushels. This figure is 2.9 percent of the United States production for the crop year 1934–35, and 2.2 percent of the deficit from the 5-year average. In the crop year 1935–36, the United States produced 1,195,436,000 bushels of oats or only 22,211,000 bushels less than the 1928–32 average. Imports of oats in the first 6 months of the marketing year beginning August 1, 1935, were only 22,000 bushels and dropped to zero in January 1936. There is a duty of 16 cents per bushel on oats imported into the United States. The farm price of oats in the United States was 47.9 cents per bushel in 1934 and 27.9 cents per bushel in 1935.

NEW DEMAND A FACTOR IN BARLEY, RYE SITUATIONS

The situations of barley imported into the United States as grain, and barley imported for malting, are sharply different. Demand for barley for malting has increased in the United States since the repeal of the eighteenth amendment. Imports of barley for malt amounted to 52,533,000 pounds in the calendar year 1932; rose to 109,183,000 pounds in 1933; to 193,728,000 pounds in 1934; and to 320,623,000 pounds in 1935. Imports of barley as grain in the same years were 6,000 bushels, 24,000 bushels, 6,580,000 bushels, and 4,840,000 bushels, respectively. Average annual United States pro-

duction of barley in the 5 years 1928–32 was 282,841,000 bushels. In the crop year 1934–35 it was 118,348,000 bushels, and in 1935–36 it was 292,249,000 bushels. There has been no adjustment program with regard to barley. The average farm price of barley in the United States was 68.3 cents per bushel in 1934 when rising imports showed that the tariff was effective in raising prices, and 38.1 cents per bushel in 1935.

With regard to rye, demand for purposes of distillation has increased since 1932, and has been a factor in the import situation, while rye production in the United States, like that of other grains, dropped sharply in 1934 as a result of the drought. Production of rye during the 5-year period 1928–32 averaged 38,655,000 bushels a year. Imports during the corresponding crop years ranged from 1,000 to 88,000 bushels a year, averaging 21,000 bushels a year. In the crop year 1933–34 production dropped to 21,150,000 bushels; imports in the corresponding marketing year, July 1933 to June 1934, amounted to 12,019,000 bushels. In the crop year 1934–35 production in the United States dropped further to 16,045,000 bushels. Imports in the corresponding marketing year were 11,250,000 bushels. In the 1935–36 crop year the rye crop totaled 57,936,000 bushels. Imports in the first 6 months of the corresponding marketing year amounted to only 2,112,000 bushels, and had dropped to zero in January 1936. The average farm price of rye in the United States in 1934 was 71.3 cents per bushel and in 1935 was 38.4 cents per bushel. No adjustment program for rye has been put into operation although one was proposed in 1935 to be effective in 1936.

REACTION IN LIVESTOCK PRODUCTS SLOWER

Reaction to production and demand factors was slower in the case of various livestock products than in the case of grains, because, as has been pointed out, the drought reduced these products tardily through curtailment of feedstuffs. In the case of beef in all forms, the United States has imported, since 1925, more beef than it has exported. Imports of fresh beef and veal for the 10-year period 1923–32 averaged 22,946,400 pounds per year. In 1933 only 378,000 pounds were imported, and in 1934 only 325,000 pounds. In 1935 the imports rose to 8,757,000 pounds, still only 38 percent of the 10-year average. Imports of canned beef showed a sharper increase. For the 10-year (1923–32) period these imports averaged 30,951,000 pounds a year. In 1934 they were 46,674,000 pounds and in 1935 they were 76,309,000 pounds. Prior to that year the production of canned beef in the United States had almost ceased since it was more profitable to distribute beef in other forms. Sanitary regulations prohibit the importation of beef other than canned beef, from the surplus-producing American countries. During the depression the demand for this commodity in the United States has increased, in connection with relief activities, and similar emergency activities.

Meat from cattle and calves slaughtered in the United States under Federal supervision during the 10-year period 1922–31, averaged 5,071,538,000 pounds (dressed weight) per year. Imports during the same period, including fresh beef and veal and canned beef (the latter converted into its dressed weight equivalent) averaged 104,-

042,000 pounds per year, or 2 percent of the federally supervised slaughter. In 1934 the federally supervised slaughter totaled 6,727,333,000 pounds and the imports 117,010,000 pounds, or 1.7 percent of the slaughter. In 1935 the federally inspected slaughter was 5,216,432,000 pounds and the imports 199,529,000 pounds, or 3.8 percent of domestic slaughter under Federal inspection.

PORK EXPORTS EXCEED PORK IMPORTS

Pork (dressed weight slaughtered under Federal inspection) produced in the United States during the 10-year period 1922–31, averaged 8,030,583,000 pounds per year. During the same period the imports of pork and its products averaged 7,720,000 pounds a year, or 0.1 percent of the federally inspected slaughter while exports of pork and its products averaged 1,208,296,100 pounds, or 15 percent of slaughter.

In 1934, pork slaughtered under Federal inspection totaled 7,231,-441,000 pounds (dressed weight). Imports amounted to 1,647,000 pounds, or 0.02 percent of the slaughter; and exports amounted to 585,433,000 pounds, or 8.1 percent of federally inspected slaughter.

In 1935, as the effect of the drought became more evident, federally inspected pork slaughter dropped to 4,406,078,000 pounds, dressed weight. Imports in that year were 10,534,000 pounds, or 0.2 percent of production. Exports amounted to 186,040,000 pounds, or 4.2 percent of federally inspected pork slaughter in 1935.

These figures show that in the case of beef and veal, production in the United States increased in 1935 over the 1922–31 average by some 145 million pounds. Part of this increase was due to the forced marketing of cattle threatened by the drought. Imports at the same time increased by about 95½ million pounds. In the case of pork, the drop in 1935 from average 1922–31 production was 3,624,505,000 pounds and the increase in imports was only 2,814,000 pounds. Total imports of pork in 1935 were 0.3 percent of the reduction in slaughter, from the 10-year average.

DROUGHT EFFECTS ON DAIRY PRODUCTS INDIRECT

Effects of the drought on imports of dairy products into the United States have been even more indirect than in the case of meat products and have been combined with the operation of several factors other than reduction of supply in the United States.

Production of milk in the United States had been steadily increasing from 1924 to 1933, in which year it reached a peak of 105,135 million pounds, after having averaged 102,682 million pounds during the 5 years 1928–32. In 1934 as a result of the drought and other factors, production receded to 101,766 million pounds.

Imports of butter during the 10-year period 1924–33 had averaged 5,693,000 pounds per year, imports of cheese during the same period 67,190,000 pounds a year, and imports of condensed, dried, evaporated, and malted milk, 6,674,000 pounds a year. In the 5-year period 1928–32 the imports of butter dropped to an average of 2,560,000 pounds a year and the imports of cheese had risen only slightly, amounting to 68,742,000 pounds a year during the same period.

In 1933, with milk production at its peak, imports of butter had totaled 1,022,000 pounds, a drop of more than half from the 5-year average, while imports of cheese were down to 48,397,000 pounds, or 20,345,000 pounds less than the 5-year average, and imports of dried, evaporated, condensed, and malted milk were down to 1,679,000 pounds from the 5-year average of 2,445,000 pounds.

MILK PRODUCTION DOWN IN 1934 FROM 1933 PEAK

In 1934 milk production was down 916 million pounds from the 5-year average for 1928–32 and 3,369 million pounds from the peak year 1933. Imports of butter in 1934 rose to 1,253,000 pounds; imports of cheese receded still further to 47,533,000 pounds, and imports of condensed, dried, evaporated, and malted milk dropped to 316,000 pounds.

In 1935, with production of milk at about the same level as in 1934, imports of butter rose more than tenfold to a total of 22,675,000 pounds; cheese imports were slightly greater than in 1934, amounting to 48,933,000 pounds, and imports of condensed, dried, evaporated, and malted milk rose to 3,346,000 pounds.

Production of butter in the United States was lowered, especially during the first part of 1935, as a result of the drought. But an additional factor in the increase of imports was the large volume of butter entering world trade and the extremely low prices at which this butter was being offered in the world markets. As a consequence of such low world prices, the margin between United States and foreign prices of butter exceeded the 14-cent customs duty to which foreign butter is subject upon its importation into the United States.

Meanwhile, United States prices of dairy products rose less rapidly than did the prices of competitive foodstuffs such as pork and other meats, and consumers shifted to cheese and butter.

PRICE OF BUTTERFAT HAS RISEN SINCE 1933

Factory production of creamery butter in the United States, as one index of the movement in the dairy industry, averaged 1,608,178,000 pounds a year in the period 1928–32, during which period the average farm price of butterfat was 33.6 cents per pound. In 1933 the production was 1,762,688,000 pounds and the farm price of butterfat was 18.8 cents per pound. Imports that year were 0.05 percent of production. In 1934 production totaled 1,694,708,000 pounds, and the price of butterfat rose to 22.7 cents a pound. Imports were 0.06 percent of production. In 1935 production amounted to 1,633,752,000 pounds, and the average farm price of butterfat was 28.1 cents a pound. Imports of butter into the United States that year amounted to 1.38 percent of domestic production. These imports fell off rapidly as production in the United States increased in the spring and early summer of 1935.

Analysis of the situation of different commodities and the factors that have been responsible for their importation into the United States, thus makes it apparent that for the most part the importations of commodities produced in this country have been only small frac-

tions of the reductions in domestic supply due to the drought, or have been brought in to meet new demands for the commodities in question. Since such imports can enter this country only over the tariffs imposed on competitive agricultural commodities, the products brought in from foreign sources have not operated to lower the prices American farmers receive for the same commodities, to the same extent as if they had been additional domestic production instead of imports. Furthermore, many of them, as notably in the case of feed grains, have been products used chiefly by farmers themselves.

CHAPTER 8

LEGAL ASPECTS OF ADMINISTRATION

I. COURT DECISIONS RELATING TO THE AGRICULTURAL ADJUSTMENT ACT AND RELATED STATUTES, JANUARY 1, 1935, TO JANUARY 13, 1936

A review of the litigation in the courts during the period discloses several important developments relative to the validity of certain aspects of the Agricultural Adjustment Act and its administrative phases, and the constitutionality of the Bankhead Cotton Act and the Kerr-Smith Tobacco Act. These points may be summarized as follows:

1. The most important decision is that of the United States Supreme Court in *United States* v. *Butler et al.*, the so-called *Hoosac Mills* case, in which the opinion of the court was rendered on January 6, 1936. In that case, the court decided that the provisions for production control by means of the processing taxes and benefit payments were invalid, and affirmed the judgment of the Circuit Court of Appeals for the First Circuit.

2. There were decisions in seven suits involving milk licenses in various parts of the country, and in each instance the decision was unfavorable to the claims of the Government. Each decision was based upon the holding that the license before the court attempted to regulate intrastate commerce in milk and was, therefore, outside the powers of the Federal Government.

3. By its decision of January 13, 1936, in the case of *Rickert Rice Mills, Inc.*, v. *Fontenot*, and related cases, the United States Supreme Court held that the amendments of August 24, 1935, to the Agricultural Adjustment Act, did not remedy the unconstitutionality of the act as initially enacted, and directed the return to the rice processors of the moneys which had been deposited in court. The practical result of this decision was that the processing taxes, payment of which had been suspended by court order and which had been deposited with a designated depository could be directed to be returned to the respective processors and taxpayers. The court specifically declined, in its opinion, to rule on the validity or effect of section 21 (d) of the act, as amended, under which a taxpayer will be required to show, as a condition to his right to recover processing taxes, that he himself had borne the burden of the tax and has not passed on the tax to any other person.

4. The Bankhead Cotton Act was before the Supreme Court in the suit of *Lee Moor* v. *Texas and New Orleans Railroad Company*, but its constitutionality was not determined, the court holding that the record before it was not sufficient to justify its passing upon the

validity of the statute. In one other case, *Wallace* v. *Thomas*, the District Court for the Eastern District of Texas held, in an order granting a temporary injunction, that the act is unconstitutional, but that suit has not gone to final hearing and final order. The Federal Court for the Northern District of California held, in December 1935, in *Woner* v. *Lewis*, that it had no jurisdiction to enjoin collection of the Bankhead tax and that the taxpayer has a complete remedy at law. The suit of the *State of Georgia* v. *Morgenthau et al.* is now pending in the United States Supreme Court, having been originally brought there, and may result in a determination by that court as to the validity of the act.

5. The Kerr-Smith Tobacco Act was held invalid by the District Court for the Eastern District of Kentucky in the suit of *Penn* v. *Glenn*, and that decision is now being appealed to the Circuit Court of Appeals for the Sixth Circuit.

In the case of *Motsinger* v. *Robertson*, the District Court for the Middle District of North Carolina denied the right of the plaintiff, a tobacco producer, to an injunction restraining the collection of the tax under the statute and held that the taxpayer had an adequate remedy at law and had established no right to injunctive relief.

6. There now remain pending before Federal and State courts throughout the country 31 cases involving various aspects of the Agricultural Adjustment Act, including the validity of licenses for milk, rice, California citrus fruit, Texas citrus fruit, and gum turpentine and rosin, and the validity of the order for walnuts produced in California, Oregon, and Washington, which was issued under the August 24, 1935, amendments to the Act.

There also remain pending seven cases involving the validity of the Bankhead Act and eight cases involving the validity of the Kerr-Smith Tobacco Act.

Of further interest is the pendency of a number of criminal cases in which fraud or conspiracy to defraud is alleged against certain persons who were claimed to have defrauded or conspired to defraud the Government in matters relating to the corn-hog, emergency hog-purchase, emergency cattle-purchase, cotton- and wheat-adjustment programs, and to certain aspects of the rental- and benefit-payment program under the Agricultural Adjustment Act.

These cases and the cases in which the court decisions were rendered during the period are hereinafter referred to individually and more in detail.

II. NATURE OF EACH CASE

AGRICULTURAL ADJUSTMENT ACT

1. *United States* v. *Butler*, *et al.* United States Supreme Court, January 6, 1936.

This case involved the right of the United States to collect from the respondent, as receivers of Hoosac Mills Corporation, certain processing and floor-stock taxes imposed by the Agricultural Adjustment Act. The Federal district court in Boston held, in October 1934, that the claim was valid and that the taxes should be paid. The Circuit Court of Appeals for the First Circuit, with Senior Circuit Judge Bingham dissenting, reversed the decision on the grounds that the act unlawfully delegated legislative power to the

Secretary of Agriculture and that, under the guise of a tax, the statute attempted to control production of agricultural commodities in contravention of the Federal Constitution. The United States Supreme Court, by a 6 to 3 decision, affirmed the Circuit Court of Appeals, holding that the act regulates agricultural production in violation of the tenth amendment to the Federal Constitution; that the tax is a mere incident of such regulation; that the benefit-payment plan involved in the act amounts to coercion by economic pressure; and that the act is accordingly invalid. The minority of the court dissented in a vigorous opinion in which were expressed, among others, the views that the suggestion of coercion through economic pressure lacks any support in the record before the court, or in any data showing how the statute was actually administered; that the courts may not properly pass upon the wisdom of legislative action; and that the power of Congress to tax and spend includes the power to alleviate a national economic emergency by conditional gifts of money. The case aroused wide interest throughout the country and 10 briefs *amici curiae* were filed with the court by attorneys representing processors, agricultural associations, National Association of Cotton Manufacturers, and the League for Economic Equality.

2. *Rickert Rice Mills, Inc.* v. *Fontenot*, and related cases. United States Supreme Court, January 13, 1936.

The petitioners were rice processors who sued for an injunction restraining the collector of internal revenue for the district of Louisiana from assessing and collecting any processing tax on rice under the Agricultural Adjustment Act, as amended August 24, 1935. The suit was based upon the contentions that the taxes were invalid and in violation of the Federal Constitution. The Federal District Court dismissed the bills of complaint and the Circuit Court of Appeals for the Fifth Circuit affirmed the lower court, holding that the taxpayers had a complete remedy at law to recover any taxes illegally exacted, and that the provisions of the act, as amended, deprived the court of any jurisdiction to grant an injunction restraining the collection of the tax. The Supreme Court granted a writ of certiorari and restrained collection of the taxes but directed that the taxes be paid to a designated depository, to be withdrawn only upon further order. After argument and the filing of briefs, the Supreme Court vacated the decree of the district court and directed the repayment to the petitioner of the funds impounded, holding that the amendments of August 24, 1935, do not remedy the legal defects existing in the original act and that the exaction still lacks the quality of a true tax and remains a means for accomplishing an invalid regulation of agricultural production. The court declined to decide whether a taxpayer has an adequate remedy at law under section 21 (d) of the statute, which conditions any refund of a processing tax upon the taxpayer's establishing that he has not passed on the tax to the purchaser of the processed article, deducted it from the price paid to the producer or included it in his charge for processing.

3. *United States* v. *Liberty Rice and Feed Mill, Inc.* District Court, Louisiana, January 9, 1935.

The United States sued to enjoin the defendant from violating the provisions of the amended license for the southern rice milling industry. After a preliminary injunction had been granted as requested by the Government, the defendant temporarily ceased mill-

ing rough rice and the case never reached final hearing, the license being terminated on April 1, 1935. After that date the suit was moot and was dismissed.

4. *California Canning Peach Growers' Association* v. *Myers.* Circuit Court of Appeals, Ninth Circuit, June 3, 1935.

In 1934 the bill brought to enjoin the holding of an administrative hearing by agents of the Secretary to determine whether the plaintiff's license to handle cling peaches should be revoked was dismissed. The plaintiff appealed from that decision and on June 3, 1935, the appeal was dismissed.

5. *Hallengren* v. *California Prune Control Board*, *Kirk* v. *California Prune Control Board.* District Court, California, August 22, 1935.

These suits were brought to enjoin the board from enforcing the provisions of the license for dried prunes produced in California, and on August 22, 1935, the district court denied the board's motion to dismiss the bills and granted a temporary injunction enjoining enforcement of the license. The suits still remain inactive and will probably be dismissed upon the formulation of a new marketing agreement and the issuance of an order.

6. *United States* v. *Kirk and Teresi.* District Court, California, July 3, 1935.

A bill was filed to restrain the licensee from violating the license for dried prunes produced in California, and after the issuance of a temporary restraining order on July 3, 1935, the district court granted a preliminary injunction restraining the defendants from selling or shipping prunes in the current of interstate or foreign commerce in violation of the license. The case has remained dormant pending the formulation of a new marketing agreement and the issuance of an order.

7. *Rio Valley Fruit and Vegetable Company* v. *Texas Citrus Control.* District Court, Texas, March 27, 1935.

This suit involved the license for shippers of oranges and grapefruit grown in Texas. The shipper sued to enjoin the control committee from enforcing the provisions of the license. On March 27, 1935, a preliminary injunction was denied and the suit has never been brought on for final hearing.

8. *United States* v. *Smith, et al.* District Court, Texas, March 27, 1935.

The Government sued to restrain the defendants from violating the license for Texas citrus fruits and after a hearing before the court for a preliminary injunction on March 27, 1935, the District Court refused to issue a preliminary injunction on the ground that any marketing of classified grapefruit during the balance of the season would not materially affect the market and reserved decision on constitutional issues until after a full trial of the suit. The action remains pending and undetermined.

9. *Wallace* v. *Smith.* District Court, Texas, September 17, 1935.

Action was instituted to restrain the defendants from violating the license for Texas citrus fruits and after a hearing before the court a final decree was entered dismissing the bill on September 17, 1935. No appeal was taken from the decree.

10. *United States* v. *Small.* District Court, Washington.

Action was brought to restrain the defendant from continuing to handle fresh deciduous tree fruits after revocation of his license. After a hearing on a motion for an injunction the District Court dismissed the bill on the ground that the Agricultural Adjustment Act is unconstitutional because of an improper delegation of legislative authority. An appeal was noted from the decision, but by reason of the cancelation of the license the appeal is now to be dismissed.

11. *Bullard* v. *Speh et al.* District Court, Florida.

The plaintiffs, processors of gum-turpentine and gum-rosin and parties to the marketing agreement for that industry, sued to enjoin the members of the Control Committee from expending funds in their possession and to obtain an accounting and receivership for the committee on the theory that the marketing agreement had been terminated. On October 31, 1935, the District Court issued an order temporarily restraining the members of the committee from expending any of the funds in their possession but denied the application for the appointment of a receiver and an accounting. The defendants have taken an appeal to the Circuit Court of Appeals from the restraining order and the District Court has appointed a Special Master to examine into the financial affairs of the control committee.

12. *United States* v. *DeLoach.* District Court, Georgia.

A criminal proceeding was instituted against the defendants for counterfeiting crude gum tags issued by the Control Committee under the amended license for gum-turpentine and gum-rosin processors and for conspiracy to defraud the United States. On September 18, 1935, the United States Commissioner discharged all defendants on the ground that neither the amended license nor the act made provision for tags for crude gum and that the defendants could therefore not be held criminally liable for their acts as charged.

13. *United States* v. *Odum.* District Court, South Carolina.

Criminal proceedings were brought against the defendants for conspiracy to commit an offense against and to defraud the United States by counterfeiting turpentine and rosin tags under the gum-turpentine and gum-rosin license. Defendants are being held under Commissioner's warrants pending indictment by the Grand Jury.

14. *Godwin-Medlin Naval Stores Company* v. *Wallace et al.* District Court, Florida.

Plaintiff, a distributor of naval stores, sued to obtain an injunction to restrain interference with its business. The Secretary resisted the application and filed a counterclaim seeking a preliminary and final injunction against defendants violating amended license for distributors of crude gum, cleaned gum, gum turpentine, and/or gum rosin. The suit has not been heard or set for hearing and remains pending.

15. *Bissett* v. *Riggs.* District Court, California.

Plaintiffs, growers of walnuts in California, have sued to obtain an injunction to prevent members of the Walnut Control Board from enforcing the provisions of the marketing agreement and order for packers of walnuts grown in California, Oregon, and Washington. An answer has been filed to the bill of complaint and the case remains pending.

BANKHEAD COTTON ACT

1. *Lee Moor* v. *Texas and New Orleans Railroad Company.* United States Supreme Court, January 13, 1936.

This suit was brought in the Federal Court in Texas by a grower of cotton who sought a mandatory injunction directing the railroad company to transport his cotton from El Paso to New Orleans, even though it did not bear bale tags required by the Bankhead Act. The railroad refused to accept the cotton for shipment on the ground that the statute forebade transportation of untagged cotton. The District Court dismissed the suit on the ground that the plaintiff had an adequate remedy at law by way of an action at law for money damages for failure to transport the cotton if it was subsequently determined that the Bankhead Act was invalid. Upon appeal to the Circuit Court of Appeals for the Fifth Circuit the appellate court affirmed the lower court's decision, holding further that all doubts respecting the constitutionality of an Act of Congress should be resolved in favor of the act and that it had not been sufficiently established on the record before it that the act exceeded the powers of Congress. The Supreme Court granted a writ of certiorari and permitted the Solicitor General of the United States to file a brief *amicus curiae.* After argument, the Supreme Court, by unanimous decision, held that the discretion of the trial court in refusing the mandatory injunction was properly exercised and that the writ of certiorari was improvidently granted, and accordingly dismissed the writ.

2. *Wallace* v. *Thomas.* District Court, Texas.

An individual ginner and the Texas Cotton Ginners Association sued in equity to restrain the Collector of Internal Revenue and the United States Attorneys in Texas from requiring any ginner to comply with the Bankhead Act, or from punishing violations of the act. The plaintiffs purported to sue on behalf of all ginners in the State. After a preliminary hearing, the district court upheld the right of the plaintiffs to represent all ginners, granted a temporary injunction restraining any enforcement of the statute, and declared the statute invalid. By direction of the Commissioner of Internal Revenue, the collector in Texas stopped issuing bale tags to ginners who could not be held accountable for them under the terms of the court's decree. The result was that ginning virtually ceased in the entire State. After a further hearing before the court, it was ordered that ginners could be held to account for supplies furnished them upon their application and could also be required to agree independently with the collector to make a proper accounting of Bankhead supplies provided them by the collector. The suit was called for final hearing in September 1935, but at the hearing the district judge decided to hold the case in abeyance pending a decision of the United States Supreme Court in the *Lee Moor* suit. Accordingly, the suit has not reached final hearing and disposition in the district court.

3. *Woner* v. *Lewis.* District Court, California, December 1935.

Certain cotton growers brought suit against the Collector of Internal Revenue and certain ginners of cotton and asked that the collector be enjoined from collecting the tax, that the Bankhead Act be declared invalid, and that a mandatory injunction be issued requiring the collector to issue bale tags to cover the plaintiffs' crop. Upon

the plaintiffs' motion for a preliminary injunction and the defendants' motion to dismiss the bill, the district court held that, under section 3224 of the Revised Statutes, it was prohibited from permitting the suit to be maintained to enjoin the collection of taxes, that the complaint failed to state facts entitling the plaintiffs to equitable relief, and that the plaintiffs have a complete remedy at law. The bill was accordingly dismissed.

KERR-SMITH TOBACCO ACT

1. *Lewis* v. *Page.* District court, Georgia, July 30, 1935.

The plaintiff, a tobacco grower, brought suit to enjoin a collector of internal revenue from collecting taxes upon the sale of plaintiff's tobacco and to have the Kerr-Smith Tobacco Act declared unconstitutional. On July 30, 1935, the district court granted the preliminary injunction requested by the plaintiff. The case remains pending.

2. *Penn Brothers* v. *Glenn.* Circuit Court of Appeals for the Sixth Circuit.

In this action growers of tobacco sought an injunction restraining the Collector of Internal Revenue and the United States Attorney in Kentucky from collecting the tax on the sale of plaintiff's tobacco and from enforcing the Kerr-Smith Tobacco Act. They further asked that the act be declared invalid. The suit was submitted to the court on a full stipulation of facts and on April 13, 1935, the District Court held the act unconstitutional, basing its ruling upon its right to pass upon the validity of the statute under the Federal Declaratory Judgment Act. The decision has been appealed to the Circuit Court of Appeals where a ruling is expected within the next few months. The Government has taken the position in the appellate court that by reason of the amendment in 1935 to the Federal Declaratory Judgment Act the court is without jurisdiction to pass upon the validity of an Act of Congress in a suit brought for a declaratory judgment where the statute in question involves a levy of taxes.

3. *Burch* v. *Larson.* District Court, Florida, August 7 and October 9, 1935.

Plaintiff sued for an injunction enjoining the defendant Collector of Internal Revenue from collecting taxes under the Kerr-Smith Tobacco Act. After the filing of various pleadings and a hearing before the court, the plaintiff's application for a temporary injunction was denied, and on October 9, 1935, the defendant's motion to dismiss the bill was granted.

4. *Motsinger* v. *Robertson.* District Court, North Carolina.

A producer of tobacco sued for an injunction restraining the Collector of Internal Revenue from collecting the tax on the sale of his tobacco. After a full trial and presentation of evidence, the District Court held that the plaintiffs had failed to make out a case for equitable relief and had an adequate remedy at law, and therefore dismissed the bill.

MATTERS INVOLVING PRODUCTION-ADJUSTMENT AND EMERGENCY-PURCHASE PROGRAMS

Litigation resulting from the attempts of creditors to reach benefit payment checks due producers in the hands of county agents and

other governmental agencies, continued in even greater volume than during the previous year. Such litigation usually has taken the form of writs of garnishment, writs of attachment, executions after judgments, restraining orders, and other court process in an endeavor to divert the delivery of checks to producers for the benefit of individual creditors.

In addition to the classes of cases mentioned above, there have been the claims to these checks by trustees in bankruptcy and Federal or State receivers for distribution of the proceeds therefrom for the benefit of general creditors.

During the period under report there was one change of policy determined upon, due to a decision of the Federal court in Missouri which has resulted in recognition of the claims of trustees in bankruptcy and Federal receivers to benefit payment checks in the hands of Government agents when supported by an order of the Federal court or of a referee in bankruptcy. In these instances, the checks are made payable to the producer and the trustee or receiver jointly, and delivered as required by the order of the court or referee.

In all other cases, benefit payment checks have uniformly been delivered to the producer without restrictions.

ENFORCEMENT OF LICENSES

The Agricultural Adjustment Administration maintained its established procedure in obtaining compliance with licenses issued under the Agricultural Adjustment Act prior to the August 1935 amendments.

Section 8 (3) of the Agricultural Adjustment Act empowered the Secretary, after due notice and opportunity for hearing, to suspend or revoke the license of any person licensed under the act for violation of the terms and conditions of the license.

Pursuant to this authority two types of hearings have been held under general regulations issued by the Secretary, with the approval of the President (General Regulations, Series 3, and General Regulations, Series 10). Under General Regulations, Series 3, orders may be served upon an alleged violator requiring him to show cause within a specified time why his license should not be suspended or revoked. If the answer is not deemed sufficient by the Secretary, a public hearing is held, usually in the place where the licensee transacts his business. A presiding officer designated by the Secretary to act for him conducts the hearing. On the basis of the record made at the public hearing, the Secretary makes findings of fact and issues an order either dismissing the charges or suspending or revoking the license of the licensee, as the case may be.

Hearings conducted under General Regulations, Series 10, are investigational. Under this proceeding the alleged violator is served with an order to show cause why the matter should not be referred to the Department of Justice, with a request by the Secretary to the Attorney General to take appropriate action. If the Secretary finds the answer to be insufficient, a hearing is conducted in the same manner as hearings under General Regulations, Series 3. On the record made at the hearing the Secretary makes findings of fact and issues an order dismissing the case or holding the same in abeyance pending compliance on the part of the licensee, or orders the same

referred to the Attorney General of the United States with a request that appropriate action be taken.

Institution and conduct of these administrative hearings have been motivated entirely by the desire of the Secretary to obtain compliance with licenses. The chief value of administrative hearings lies in their deterrent effect. The mere bringing of the proceeding against an alleged violator often restrains other licensees from engaging in similar violations.

The facts developed at these hearings indicate that many reported violations of licenses have been attributable to a misunderstanding of the program and of the operation and purpose of the license in question. The exertion of public opinion after the facts are disclosed at a public hearing plays a considerable part in bringing about compliance. In many cases of violation, where satisfactory assurance of future compliance has been given by the licensee, the Secretary has not exercised this power of suspension or revocation, or has not referred the matter to the Department of Justice. In many cases the alleged violators at these public hearings have admitted their violations, but have explained that they either did not understand the requirements, or did not appreciate the real purpose of the license, and have assured the Secretary that they would do all in their power to aid in the successful administration of the license. In several such instances the cases have been continued pending compliance by the licensees. The licensees giving such assurances have, for the most part, complied with the provisions of the license, and have been instrumental in aiding in its administration.

Some complaints are filed that do not require public hearings in order to correct the alleged violations. Negotiations conducted by lawyers and by representatives of the Administration in the field directly with the alleged violator, and in many instances through correspondence conducted from Washington, often bring about satisfactory solutions and assurances by the licensees that they will observe the license in the future. Often a full explanation of the way in which the particular license affects their businesses and benefits them and references to the sanctions provided by law will suffice in bringing about compliance. In a majority of the cases it is only after such means have failed that administrative action is taken.

During the period between January 1, 1935, and January 13, 1936, 83 formal complaints, alleging violations under 14 different licenses, were filed with the Administration. Formal proceedings were instituted in 69 cases, of which 38 were under General Regulations, Series 3, and 31 were under General Regulations, Series 10. Hearings were held in 62 of the cases, of which 36 were under General Regulations, Series 3, and 26 under General Regulations, Series 10. In addition to these, three hearings were held on orders to show cause issued prior to January 1, 1935, under General Regulations, Series 3. In seven of the proceedings instituted during the period, no hearings were held. In five of those cases the answers and assurances of compliance were deemed sufficient by the Secretary. In two of the cases the licenses involved were terminated by the Secretary before hearings could be called.

During this period orders of reinstatement of the licensee were issued in two instances where the license had been revoked by the Secretary prior to January 1, 1935. During the same period orders revoking the license were issued in six cases heard during the period, but in one of these cases the order of revocation was held in abeyance pending promised compliance with the license on the part of the licensee. In addition, orders of revocation were issued in five cases instituted prior to January 1, 1935.

During the period the Secretary dismissed three cases that were heard prior to January 1, 1935, and issued a similar order with respect to one case heard since January 1, 1935, and in one case the Secretary found the answer sufficient and ordered the case dismissed. In five cases orders were issued continuing them pending compliance upon the part of the licensee; one case was ordered referred to the Department of Justice with a request that the Attorney General take appropriate action; and three cases are now awaiting final action by the Secretary. Intervening adverse decisions by the courts have resulted in inaction on the record of hearings held in several cases.

The August 24, 1935, amendments to the act repeal the licensing provisions of the original act with a saving clause and substitute orders for licenses. Any handler subject to the provisions of the order may be penalized for violations. The handler is permitted by the act, however, to file a petition with the Secretary challenging the validity or applicability of the order. During the pendency of this petition he receives complete immunity from the imposition of a penalty. Only two orders have been issued by the Secretary under the amended act and only three petitions have been filed by handlers. Hearings have been held on two of these petitions, resulting in the dismissal of the same by the Secretary. This type of hearing is held under new regulations, series D, No. 1, issued by the Secretary with the approval of the President.

The amended act also provides that there may be an investigational hearing by the Secretary whenever there is reason to believe that the handler is violating the provisions of an order. This second type of hearing is provided for by regulations, series E, issued by the Secretary with the approval of the President. No such hearing has been held up to this date.

CRIMINAL PROSECUTION IN CONNECTION WITH ACREAGE-REDUCTION AND EMERGENCY-PURCHASE PROGRAMS

In addition to the criminal prosecutions which were pending at the date of the last report, other prosecutions have been instituted at the request of the Secretary of Agriculture and have been based upon alleged violations of those sections of the Criminal Code as relate to frauds against and conspiracy to defraud the United States, and falsification of records with intent to defraud the United States.

Corn-hog program.—*U. S.* v. *Louis K. Wykoff* (U. S. D. C. for N. D. of Indiana). On October 24, 1934, two indictments were returned against defendant, one containing 7 counts for violations of the wheat reduction program, and the other containing 15 counts for violation of the corn-hog reduction program. On December 7,

1934, defendant entered pleas of nolo contendere to all counts in both indictments and the case was referred to the probation officer for investigation. On June 19, 1935, defendant was fined $250 plus costs in each case, the fines being suspended for the period of 1 year, and the defendant being placed on probation, probation being conditional upon payments of fines.

U. S. v. *John H. Turner, et al.* (U. S. D. C. for S. D. of Iowa). Indictment was returned in September 1935. At the trial in October 1935, defendants pleaded guilty. One defendant was fined $1,000; three were fined $500 each; and the remaining defendant was given a suspended sentence of 30 days in jail, and placed on probation for 2 years.

U. S. v. *J. M. Richards* (U. S. D. C. for W. D. of Ohio). A secret indictment was returned in December 1935.

There are five other corn-hog cases in which the Secretary of Agriculture has requested criminal prosecution, and which are now in the hands of United States attorneys for prosecution. None of these cases has yet been presented to the grand jury.

Emergency hog-purchase program.—*U. S.* v. *Raymond Marker* (U. S. D. C. for S. D. of Ohio). Defendant pleaded guilty and was given a suspended sentence of 1 year.

U. S. v. *Fred M. Hartley, et al.* (U. S. D. C. for N. D. of Oklahoma). New indictments were returned in 1935, and the case awaits trial.

U. S. v. *Donald K. MacDonald and Harry Kennalley* (U. S. D. C. for W. D. of Missouri). Indictment was returned in February 1935. Demurrer to the indictment was overruled in March 1935. The case is now awaiting trial.

U. S. v. *Karl N. Soeder and Harry Kennalley* (U. S. D. C. for W. D. of Missouri). Indictment was returned in February 1935. Demurrer to the indictment was overruled in March 1935. The case is now awaiting trial.

U. S. v. *Karl N. Soeder et al.* (U. S. D. C. for W. D. of Missouri). Indictment was returned February 1935. Demurrer to the indictment was overruled in March 1935. The case is now awaiting trial.

U. S. v. *Floyd E. Stafford and Charles I. Stafford* (U. S. D. C. for W. D. of Missouri). Indictment was returned in February 1935. Demurrer to the indictment was overruled and case will be tried during the April 1936 term of the court at Springfield, Mo.

U. S. v. *E. D. Warner et al.* (U. S. D. C. for W. D. of Missouri). Indictment was returned in February 1935. Demurrer to the indictment was overruled and case is now awaiting trial.

U. S. v. *Fred N. Hartley et al.* (U. S. D. C. for N. D. of Oklahoma). Indictment was returned in April 1935. At the trial in November 1935 the court directed a verdict for the defendants upon the ground that regulations governing the hog-buying program were not signed by the Secretary of Agriculture, and approved by the President.

U. S. v. *Ben Kapp et al.* (U. S. D. C. for W. D. of Oklahoma). Indictment was returned in November 1935. The case is now awaiting trial.

U. S. v. *Ira L. Maddox and H. S. Sparkman* (U. S. D. C. for E. D. of Oklahoma). Indictment was returned in March 1935. De-

murrer to the indictment was overruled and the case is set for trial during the week of February 4, 1936.

U. S. v. *John Brown et al.* (U. S. D. C. for E. D. of Oklahoma). Indictment was returned in March 1935. Demurrer to the indictment was overruled and the case is set for trial during the week of February 4, 1936.

U. S. v. *Frank E. Horton et al.* (U. S. D. C. for E. D. of Oklahoma). Indictment was returned in March 1935. Demurrer to the indictment was overruled and the case is set for trial during the week of February 4, 1936.

Emergency cattle-buying program.—*U. S.* v. *P. L. Stephens* (U. S. D. C. for N. D. of Texas). An indictment was returned in September 1935. The case was dismissed upon return by the defendant of the benefit payment which it was alleged had been illegally obtained by him.

U. S. v. *David F. Luckey et al.* (U. S. D. C. for W. D. of Missouri). Indictment was returned in December 1935. The case is now awaiting trial.

Tobacco program.—*U. S.* v. *Charles Rudder* (U. S. D. C. for E. D. of Kentucky). Indictment was returned in March 1935. Upon trial in May 1935, defendant was found not guilty.

Cotton-adjustment program.—*U. S.* v. *Eric V. Hoyt* (U. S. D. C. for E. D. of Arkansas). In May 1935 defendant withdrew plea of not guilty, entered plea of guilty and was placed on probation for one year, and was required to pay into the registry of the court $100, the amount lost on the cotton contract involved.

U. S. v. *John C. Ingram et al.* (U. S. D. C. for W. D. of Arkansas). In May 1935 five defendants were tried, three were found not guilty and two, Joe Ingram and Harold Blakely, were found guilty and sentenced to 16 months, Ingram in a penitentiary and Blakely in a reform school at Reno, Okla.

CHAPTER 9

FINANCIAL REPORT

From May 12, 1933, when the Agricultural Adjustment Act went into effect, through December 31, 1935, expenditures by the Administration totaled $1,529,114,039.97. The amount made available to the Administration during the period was $1,938,705,970.63, including advances from the Treasury which were to be replaced by processing and other tax collections. Of the total funds made available, $409,591,930.66 remained unexpended on January 1, 1936.

I. FUNDS AND EXPENDITURES THEREFROM

Table 32 lists the source and amount of each appropriation or fund which has been made available to the Administration, the expenditures that have been made therefrom, and the balance of funds unexpended.

TABLE 32.—*Sources and amounts of funds made available to the Agricultural Adjustment Administration, amounts expended therefrom, and balances remaining available for expenditure, from enactment of the law on May 12, 1933, through Dec. 31, 1935*

	Amount made available	Expenditures to Dec. 31, 1935	Balance of funds available Jan. 1, 1936
Advances from the Treasury in anticipation of processing tax collections [1]	$1,357,885,000.00	$1,233,434,514.71	$124,450,485.29
Advances from Treasury in anticipation of tax collections under Tobacco Control Act [1]	1,753,795.00	644,641.44	1,109,153.56
Appropriation for administrative and other expenses under section 12 (a) of act	100,000,000.00	9,630,726.81	90,369,273.19
Warranted from processing taxes collected for purchase of surplus beet sugar	8,000,000.00	365,536.44	7,634,463.56
Appropriation to carry into effect Jones-Connally amendment to Agricultural Adjustment Act	150,000,000.00	100,564,196.14	49,435,803.86
Transfer under National Industrial Recovery Act to supplement processing taxes	37,000,000.00	36,998,379.25	1,620.75
Transfer under N. I. R. A. for administrative expenses in connection with code histories	554,000.00	497,186.07	56,813.93
Allotment under Emergency Appropriation Act fiscal year for drought relief	86,804,400.00	79,330,179.21	7,474,220.79
Transfer from F. E. R. A. for administrative expenses in connection with submarginal land projects	1,970,034.16	1,578,776.14	391,258.02
Advances from Treasury in anticipation of tax collections under Potato Act [1]	27,000.00	----------	27,000.00
Appropriation to carry into effect section 32 of the act of August 24, 1935, in connection with exportation and domestic consumption of agricultural commodities	92,111,741.47	----------	92,111,741.47
Allotment under section 37 of the act of August 24, 1935, in connection with the elimination of diseased cattle, and other purposes	350,000.00	----------	350,000.00
Puerto Rico trust fund for making payments to producers in connection with sugarcane adjustment program in Puerto Rico	2,250,000.00	1,569,903.76	680,096.24
Advances from the Treasury to protect title to cotton acquired under title 1, part 1, of Agricultural Adjustment Act	100,000,000.00	64,500,000.00	35,500,000.00
Total	1,938,705,970.63	1,529,114,039.97	409,591,930.66

[1] Processing and other tax collections aggregated $966,136,738.79 through Dec. 31, 1935.

Each item in table 32 is explained and amplified in the following paragraphs.

ADVANCES FROM THE TREASURY IN ANTICIPATION OF PROCESSING TAX COLLECTIONS

The Agricultural Adjustment Act provided that upon jointly estimated requirements made by the Secretary of Agriculture and the Secretary of the Treasury, funds would be advanced to the Secretary of Agriculture for carrying out the purposes of the act. Processing taxes when collected were applied to offset such advances.

Advances by the Treasury through December 31, 1935, totaled $1,357,885,000 of which $1,233,434,514.71 had been expended on that date, leaving an unexpended balance of $124,450,485.29. Processing taxes assessed to offset these advances totaled $1,219,460,660.62.

If all processing taxes assessed had been collected and paid into the Treasury, the collections would have been $13,973,854.09 less than expenditures from advances on January 1, 1936. However, collections paid into the Treasury fell short of total taxes assessed by $257,319,351.67, largely because of the impounding of taxes by the courts in 1935 and to assessments unpaid pending decision of the Supreme Court on the constitutionality of the Agricultural Adjustment Act.

Processing taxes actually collected on December 31, 1935, to offset Treasury advances, totaled $937,448,234.44 ($962,141,308.95 less $24,693,074.51 segregated funds). This was $295,986,280.27 less than the expenditures from Treasury advances.

Of the total processing and related tax collections, $98,123,969.31 represents floor-stocks taxes, part of which will be refunded when the taxes are terminated.

Expenditures from these advances are shown in table 33.

TABLE 33.—*Advances made to the Agricultural Adjustment Administration by the U. S. Treasury and expenditures therefrom, through Dec. 31, 1935*

Advances in anticipation of processing tax collections	$1, 357, 885, 000. 00
Expenditures:	
Rental and benefit payments: [1]	
Cotton	333, 516, 020. 04
Wheat	255, 624, 669. 37
Corn and hogs	360, 028, 305. 29
Tobacco	53, 254, 837. 30
Sugar	55, 518, 490. 44
Peanuts	2, 429, 249. 03
Rice	9, 383, 015. 82
Total	1, 069, 754, 587. 29
Removal of surplus:	
Wheat	6, 097, 239. 21
Hogs	46, 168, 173. 22
Peanuts	750, 583. 15
Dairy products	10, 958, 431. 25
Total	63, 974, 426. 83

[1] From these totals of rental and benefit payments for wheat, corn-hogs, tobacco, and sugar were deducted county association expenses as follows: Wheat, $7,902,713.56; corn-hogs, $17,836,352.34; tobacco, $743,337.45; and sugar, $339,406.12.

Expenditures—Continued.	
Refunds of taxes	$43, 755, 823. 93
Administrative expenses:	
Voluntary adjustment programs	45, 352, 781. 56
Bankhead Cotton Act	10, 596, 895. 10
Total	55, 949, 676. 66
Total expenditures	1, 233, 434, 514. 71
Balance of funds advanced but not expended	124, 450, 485. 29

ADVANCES FROM TREASURY IN ANTICIPATION OF TAX COLLECTIONS UNDER THE KERR TOBACCO CONTROL ACT

The Kerr Tobacco Control Act as amended by the act of August 24, 1935, authorized advances by the Treasury to the Secretary of Agriculture in anticipation of taxes levied under the act, and for the expenditure of such advances for rental and benefit payments, administrative expenses, refunds of taxes, etc., provided such taxes when collected be applied as required to offset these advances.

Pursuant to these provisions and prior to December 31, 1935, the Treasury advanced $1,753,795 to the Secretary of Agriculture and $644,641.44 had been expended therefrom. Taxes actually collected through December 31, 1935, amounted to $3,995,154.27 and exceeded expenditures by $3,350,512.83.

APPROPRIATION FOR ADMINISTRATIVE EXPENSES AND RENTAL AND BENEFIT PAYMENTS UNDER SECTION 12 (a) OF THE AGRICULTURAL ADJUSTMENT ACT

The Agricultural Adjustment Act appropriated $100,000,000 for the payment of administrative expenses and rental and benefit payments. Expenditures from this fund through December 31, 1935, amounted to $9,630,726.81, leaving a balance of $90,369,273.19 available for future disbursements. Expenditures through December 31, 1935, consisted exclusively of administrative expenses, although only a part of these expenses were paid from this fund. Expenses directly connected with programs for the production adjustment of basic commodities on which processing taxes existed, were paid from funds advanced in anticipation of processing-tax collections. Other administrative expenses not directly connected with such adjustment programs are paid from this $100,000,000 appropriation.

WARRANTED FROM PROCESSING TAXES COLLECTED FOR PURCHASES OF SURPLUS BEET SUGAR

Section 16 (d) of the Agricultural Adjustment Act, as amended by section 17 of the Jones-Costigan Sugar Act, authorized the Secretary of Agriculture to purchase with available tax proceeds a maximum amount of 300,000 tons (raw value) of beet sugar from such domestically produced surplus stocks as exist in the United States. For the purchase of such surplus beet sugar $8,000,000 has been set aside and is available from the proceeds of processing taxes.

Expenditures from this fund through December 31, 1935, amounted to $365,536.44, leaving a balance of $7,634,463.56 available for future purchases.

APPROPRIATION TO CARRY INTO EFFECT THE JONES-CONNALLY AMENDMENT TO THE AGRICULTURAL ADJUSTMENT ACT

Congress on May 25, 1934, appropriated $100,000,000 to enable the Secretary to carry out the provisions of section 2 of the Jones-Connally Cattle Act, and $50,000,000 for the execution of section 6 of the act (Public Res. No. 27, 73d Cong.). The $100,000,000 appropriation is available in part to finance surplus and production reductions in the dairy and beef cattle industries and to support and balance the markets for those industries. Part of the expenditures in connection with the emergency cattle-purchase program have been financed from this fund. The $50,000,000 is available also in part for financing the distribution by the Federal Surplus Relief Corporation of dairy and beef products for relief purposes and for the elimination of diseased dairy and beef cattle.

Expenditures from the combined fund of $150,000,000 through December 31, 1935, were made as follows:

Original appropriations		$150, 000, 000. 00
Emergency cattle purchases	$62, 290, 549. 99	
Purchases of surplus dairy products	11, 342, 123. 04	
Indemnities paid for elimination of diseased cattle	18, 683, 101. 69	
Administrative expenses	8, 248, 421. 42	
Total expenditures		100, 564, 196. 14
Unexpended balance		49, 435, 803. 86

TRANSFER UNDER NATIONAL INDUSTRIAL RECOVERY ACT TO SUPPLEMENT PROCESSING TAXES

To supplement proceeds from processing taxes on corn and hogs, the President, on November 29, 1933, allocated $37,000,000 to the Agricultural Adjustment Administration from funds appropriated to carry out the purposes of section 220 of the National Industrial Recovery Act. From this allocation $36,998,379.25 had been expended through December 31, 1935, in payment of corn benefit payments under the corn-hog program, and $1,620.75 remained available for future expenditure.

TRANSFER UNDER NATIONAL INDUSTRIAL RECOVERY ACT FOR ADMINISTRATIVE EXPENSES IN CONNECTION WITH CODE HISTORIES

The histories in connection with the formulation and administration of certain codes of fair competition under the National Industrial Recovery Act are being compiled in connection with those codes delegated by Presidential order to the Agricultural Adjustment Administration. For administrative expenses in connection with these activities $554,000 has been made available to the Agricultural Adjustment Administration by the National Industrial Recovery Administration. Expenditures from this fund through December

31, 1935, amounted to $497,186.07, leaving a balance of $56,813.93 available for future expenditure.

ALLOTMENT UNDER EMERGENCY APPROPRIATION ACT, FISCAL YEAR 1935, FOR DROUGHT RELIEF

The Emergency Appropriation Act for the fiscal year 1935 authorized the President to allocate $525,000,000 to supplement appropriations previously made for emergency and additional purposes, such as the purchase, sale, gift, or other disposition of seed and feed, and in connection with freight and summer fallowing. Of this amount $97,780,000 was allocated to the Secretary of Agriculture, who in turn allocated $86,804,400 to the Agricultural Adjustment Administration for expenditures for drought-relief purposes. Expenditures through December 31, 1935, have been made from this fund as follows:

Total fund		$86, 804, 400. 00
Less expenditures:		
Emergency cattle purchase program	$49, 998, 356. 42	
Emergency purchase of sheep and goats	7, 710, 200.60	
Purchase of seed	18, 982, 721. 56	
Purchase of feed and forage	55, 200. 11	
Administrative expenses	2, 583, 700. 52	
Total expenditures		79, 330, 179. 21
Unexpended balance		7, 474, 220. 79

TRANSFER FROM FEDERAL EMERGENCY RELIEF ADMINISTRATION FOR ADMINISTRATIVE EXPENSES ON SUBMARGINAL LAND PROJECTS

The Program Planning Division of the Agricultural Adjustment Administration has cooperated with the Federal Emergency Relief Administration and other Government agencies for the removal of submarginal land from agricultural production. The Federal Emergency Relief Administration has advanced $1,970,034.16 to the Agricultural Adjustment Administration for expenditures in connection with this program. Expenditures by the Agricultural Adjustment Administration through December 31, 1935, amounted to $1,578,776.14.

ADVANCES FROM TREASURY IN ANTICIPATION OF TAX COLLECTIONS UNDER THE POTATO ACT

The Potato Act, approved August 24, 1935, authorized advances by the Treasury to the Secretary of Agriculture in anticipation of taxes levied under the act and for the expenditure of such advances for administrative expenses in connection with the act, provided the amount so advanced shall be deducted from such tax proceeds as shall subsequently become available.

Pursuant to these provisions there had been advanced by the Treasury prior to December 31, 1935, the sum of $27,000. Proceeds from sales of stamps collected through December 31, 1935, amounted to $275.57. No expenditures had been incurred against this advance as of December 31, 1935.

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APPROPRIATION TO CARRY INTO EFFECT SECTION 32 OF THE ACT OF AUGUST 24, 1935, IN CONNECTION WITH EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES

Congress on August 24, 1935, appropriated for the fiscal year ending June 30, 1936, an amount equal to 30 percent of the gross receipts from duties collected under the customs laws during the period January 1 to December 31, both inclusive, preceding the beginning of such fiscal year. Thirty percent of the custom receipts for the year 1934 was $92,111,741.47.

There had been no expenditures from this fund as of December 31, 1935. However, several programs under the provision of this section of the act have been announced. They include the Cotton Price Adjustment Program involving an estimated expenditure of $50,000,000.

ALLOTMENT UNDER SECTION 37 OF THE ACT OF AUGUST 24, 1935, IN CONNECTION WITH THE ELIMINATION OF DISEASED CATTLE AND OTHER PURPOSES

An amount of $10,000,000 was appropriated to the Secretary of Agriculture by section 37 of the act of August 24, 1935, to eliminate diseased dairy and beef cattle, and for other purposes, including the removal of surplus dairy products.

Of the $10,000,000 so appropriated, an amount of $350,000 has been allotted to the Agricultural Adjustment Administration for the purchase and removal of surplus dairy products. No expenditures had been incurred against this allotment as of December 31, 1935.

PUERTO RICO TRUST FUND FOR MAKING PAYMENTS TO PRODUCERS IN CONNECTION WITH THE SUGARCANE-ADJUSTMENT PROGRAM IN PUERTO RICO

Of the taxes collected from the processing of sugar beets or sugarcane in Puerto Rico and/or upon the processing in the United States of sugar produced in or coming from Puerto Rico, covered into a separate fund for the benefit of agriculture under the provisions of section 15 of the Agricultural Adjustment Act, an amount of $2,250.000 was made available to the Agricultural Adjustment Administration for making payments to producers of sugarcane in connection with the sugarcane-adjustment program in Puerto Rico. Rental and benefit payments aggregating to $1,569,903.76 have been made from this fund through December 31, 1935, and $680,096.24 remained available for future expenditures.

ADVANCES FROM THE TREASURY TO PROTECT TITLE TO COTTON ACQUIRED UNDER TITLE I, PART 1, OF THE AGRICULTURAL ADJUSTMENT ACT

By section 4 (b) of the Agricultural Adjustment Act the Secretary of the Treasury was authorized to advance to the Secretary of Agriculture the sum of $100,000,000 for paying off any debts

which may have been or may be incurred by the Secretary of Agriculture and discharging any lien or liens which may have arisen or may arise pursuant to part 1 of title 1 of the Agricultural Adjustment Act and for protecting title to any cotton which may have been or may be acquired by the Secretary under the act.

Expenditures of $64,500,000 have been made from this fund through December 31, 1935, and there remains available an amount of $35,500,000 which may be advanced for future expenditures.

II. COTTON OPTIONS

The Secretary of Agriculture, pursuant to part 1 of the Agricultural Adjustment Act, acquired from the Farm Credit Administration spot cotton and cotton futures contracts representing a total of approximately 2,450,000 bales of cotton. Substantially all of this cotton was optioned at 6 cents per pound to cotton producers cooperating in the 1933 cotton-adjustment program.

A cotton producers' pool was established on January 8, 1934, by order of the Secretary, and holders of the cotton options described were given the privilege of placing their options in this pool. Options representing 1,951,719 bales were placed in the pool. Substantially all the remaining options have been exercised by their holders. By December 31, 1935, approximately 493,931 bales of cotton had been sold by option holders, and $12,132,178.52 had been paid to such option holders. The cotton producers' pool, through December 31, 1935, advanced a total of $38,996,434.69 to the members of the pool on the basis of 4 cents per pound on cotton covered by options which had been placed in the pool by such members.

III. COLLECTIONS OF PROCESSING AND RELATED TAXES

Purposes, operation, and effects of the processing taxes are discussed in detail in another section of this report. The proceeds of these taxes are appropriated, under section 12 (b) of the Agricultural Adjustment Act, for effectuating the purposes of the act. Table 34 presents an account of the processing and related tax collections by commodities, as reported by the Bureau of Internal Revenue, through December 31, 1935.

TABLE 34.—*Collection of processing and related taxes, cumulative to Dec. 31, 1935*

Commodity	Date tax effective	Collections to Dec. 31, 1935	Commodity	Date tax effective	Collections to Dec. 31, 1935
Wheat	July 9, 1933	$250, 628, 889. 43	Peanuts	Oct. 1, 1934	$3, 702, 920. 00
Cotton	Aug. 1, 1933	245, 861, 810. 39	Rice	Apr. 1, 1935	671, 106. 03
Tobacco	Oct. 1, 1933	63, 628, 155. 02	Rye	Sept. 1, 1935	145, 829. 89
Corn	Nov. 5, 1933	12, 232, 306. 74	Unclassified processing taxes		364, 304. 48
Hogs	do	270, 081, 084. 89	Potato sales tax	Dec. 1, 1935	275. 57
Paper and jute	Dec. 1, 1933	13, 076, 844. 45			
Sugar	June 8, 1934	100, 327, 146. 67			
Tobacco sales tax	June 28, 1934	3, 995, 154. 27	Total		966, 136, 738. 79
Cotton ginning tax	Apr. 21, 1934	1, 420, 910. 96			

IV. EXPENDITURES SUMMARIZED BY CHARACTER

Expenditures under the Agricultural Adjustment Act, for rental and benefit payments under production-adjustment contracts, for removal of surplus agricultural commodities from ordinary commercial channels, and for general administrative expenses in connection with agricultural adjustment under the act, are summarized in table 35, by character.

TABLE 35.—*Expenditures under Agricultural Adjustment Act, by character and by commodity through Dec. 31, 1935*

Administration:	
Washington, D. C	[1] $32, 752, 886. 72
Field	46, 371, 897. 49
Total	79, 124, 784. 21
Rental and benefit payments:	
Cotton	333, 516, 020. 04
Wheat	255, 624, 669. 37
Tobacco	53, 254, 837. 30
Corn hogs	397, 026, 684. 54
Sugar	57, 088, 394. 20
Rice	9, 383, 015. 82
Peanuts	2, 429, 249. 03
Total	1, 108, 322, 870. 30
Removal and conservation of surpluses:	
Hogs	46, 168, 173. 22
Wheat	6, 097, 239. 21
Dairy products	22, 300, 554. 29
Sugar	365, 536. 44
Peanuts	750, 583. 15
Total	75, 682, 086. 31
Drought relief, food conservation, and disease eradication operations:	
Cattle	130, 972, 008. 10
Sheep and goats	7, 710, 200. 60
Seed	18, 982, 721. 56
Feed and forage	55, 200. 11
Total	157,720, 130. 37
Refunds of taxes	43, 764, 168. 78
Total commodity and other programs	1, 464, 614, 039. 97
Protecting title, etc., to cotton acquired under Agricultural Adjustment Act	64, 500, 000. 00
Grand total	[2] 1, 529, 114, 039. 97

[1] Includes $1,171,820 transferred to Division of Disbursements, Treasury Department.
[2] This figure does not include payments with respect to cotton options.

V. RECEIPTS AND EXPENDITURES BY CALENDAR YEARS 1933, 1934, AND 1935

Expenditures by calendar years from the various funds made available to the Agricultural Adjustment Administration since its institution are shown in table 36.

TABLE 36.—*Statement of actual expenditures by calendar years*

	May 12, 1933–Dec. 31, 1933	Calendar year 1934	Calendar year 1935	Total May 12, 1933–Dec. 31, 1935
Advances from treasury in anticipation of processing tax collections:				
Rental and benefit payments:				
Cotton	$111, 405, 244. 87	$91, 141, 315. 92	$130, 969, 459. 25	$333, 516, 020. 04
Wheat	18, 396, 794. 50	128, 353. 159, 37	108, 874, 715. 50	255, 624, 669. 37
Corn and hogs		122, 149, 862. 88	237, 878, 442. 41	360, 028, 305. 29
Tobacco	1, 274, 448. 13	17, 721, 216. 35	34, 259, 172. 82	53, 254, 837. 30
Sugar		55, 541. 30	55, 462, 949. 14	55, 518, 490. 44
Peanuts			2, 429, 249. 03	2, 429, 249. 03
Rice			9, 383, 015. 82	9, 383, 015. 82
Total	131, 076, 487. 50	359, 421, 095. 82	579, 257, 003. 97	1, 069, 754, 587. 29
Removal of surpluses:				
Wheat	465, 930. 08	5, 591, 297. 28	40, 011. 85	6, 097, 239. 21
Hogs	33, 448, 400. 69	12, 614, 552. 16	105, 220. 37	46, 168, 173. 22
Peanuts			750, 583. 15	750, 583. 15
Dairy products	9, 414, 033. 37	1, 544, 397. 88		10, 958, 431. 25
Total	43, 328, 364. 14	19, 750, 247. 32	895, 815. 37	63, 974, 426. 83
Refunds of taxes:				
Cotton	4, 067. 55	2, 982, 474. 93	10, 553, 465. 05	13, 540, 007. 53
Cotton ginning			1, 779. 03	1, 779. 03
Wheat	45, 953. 26	3, 486, 523. 65	2, 586, 565. 27	6, 119, 042. 18
Corn and hogs		11, 975, 659. 19	10, 482, 708. 41	22, 458, 367. 60
Tobacco	14. 61	4, 438. 78	15, 122. 84	19, 576. 23
Sugar		690. 87	385, 586. 95	386, 277. 82
Peanuts			16, 932. 13	16, 932. 13
Rice			1, 213, 841. 41	1, 213, 841. 41
Total	50, 035. 42	18, 449, 787. 42	25, 256, 001. 09	43, 755, 823. 93
Administrative expenses:				
Cotton	2, 973, 799. 98	9, 546, 858. 14	6, 480, 430. 74	19, 001, 088. 86
Cotton (Bankhead)		3, 141, 689. 17	7, 455, 205. 93	10, 596, 895. 10
Wheat	1, 194, 828. 39	3, 232, 973. 45	2, 919, 098. 00	7, 346, 899. 84
Corn and hogs	197, 710. 91	5, 385, 711. 06	5, 560, 539. 72	11, 143, 961. 69
Tobacco	96, 489. 18	1, 746, 580. 60	1, 987, 434. 05	3, 830, 503. 83
Sugar		301, 668. 99	1, 931, 974. 35	2, 233, 643. 34
Peanuts		4, 515. 60	333, 734. 29	338, 249. 89
Potatoes			5, 965. 05	5, 965. 05
Rice		1, 065. 14	185, 966. 39	187, 031. 53
Rye			2, 897. 75	2, 897. 75
Dairy products	10, 058. 10	32, 823. 75	2, 337. 38	45, 219. 23
Undistributed		337. 58	1, 216, 982. 97	1, 217, 320. 55
Total	4, 472, 886. 56	23, 394, 223. 48	28, 082, 566. 62	55, 949, 676. 66
Grand total	178, 927, 773. 62	421, 015, 354. 04	633, 491, 387. 05	1, 233, 434, 514. 71
Advances from treasury in anticipation of tax collections under Tobacco Control Act:				
Administrative expenses—tobacco		111, 790. 88	524, 505. 71	636, 296. 59
Refund of taxes			8, 344. 85	8, 344. 85
Total		111, 790. 88	532, 850. 56	644, 641. 44
Appropriation for administrative and other expenses under sec. 12 (a) of act:				
Administrative expenses—general	2, 329, 781. 60	2, 550, 351. 27	4, 750, 593. 94	9, 630, 726. 81
Warranted from processing taxes collected for purchase of surplus beet sugar:				
Removal of surplus beet sugar			365, 536. 44	365, 536. 44
Appropriation to carry into effect Jones-Connally amendment to Agricultural Adjustment Act:				
Purchase of cattle		44, 072, 735. 00	18, 217, 814. 99	62, 290, 549. 99
Removal of surplus dairy products		1, 392, 061. 82	9, 950, 061. 22	11, 342, 123. 04
Eradication of diseased cattle		1, 695, 844. 62	16, 987, 257. 07	18, 683, 101. 69
Administrative expenses		1, 241, 855. 08	7, 006, 566. 34	8, 248, 421. 42
Total		48, 402, 496. 52	52, 161, 699. 62	100, 564, 196. 14

TABLE 36.—*Statement of actual expenditures by calendar years*—Continued

	May 12, 1933–Dec. 31, 1933	Calendar year 1934	Calendar year 1935	Total May 12, 1933–Dec. 31, 1935
Transfer under National Industrial Recovery Act to supplement processing taxes:				
Rental and benefit payments—Corn hogs		$37,004,212.60	Cr. $5,833.35	$36,998,379.25
Transfer under National Industrial Recovery Act for administrative expenses in connection with codes and code histories:				
Administrative expenses		354,874.51	142,311.56	497,186.07
Allotment under Emergency Appropriation Act, fiscal year 1935, for drought relief:				
Purchases of cattle		45,936,865.50	4,061,490.92	49,998,356.42
Purchases of sheep and goats		2,294,237.00	5,415,963.60	7,710,200.60
Purchases of seed		11,826,603.09	7,156,118.47	18,982,721.56
Purchases of feed and forage			55,200.11	55,200.11
Administrative expenses		1,518,792.14	1,064,908.38	2,583,700.52
Total		61,576,497.73	17,753,681.48	79,330,179.21
Transfer from F. E. R. A. for administrative expenses in connection with submarginal land projects:				
Administrative expenses		156,056.92	1,422,719.22	1,578,776.14
Puerto Rico trust fund for making payments to producers in connection with sugarcane adjustment program in Puerto Rico:				
Rental and benefit payments—Sugar			1,569,903.76	1,569,903.76
Advances from Treasury to protect title to cotton acquired under title I, part 1, of Agricultural Adjustment Act		22,500,000.00	42,000,000.00	64,500,000.00
Grand total	$181,257,555.22	593,671,634.47	754,184,850.28	1,529,114,039.97

Collections of processing and related taxes, cotton ginning, tobacco sales, and potato sales taxes by calendar years are shown in table 37.

TABLE 37.—*Statement of actual receipts from taxes, by calendar years*

	May 12, 1933–Dec. 31, 1933	Calendar year 1934	Calendar year 1935	Total May 13, 1933–Dec. 31, 1935
Receipts:				
Processing taxes:				
Cotton	$79,276,620.46	$114,201,553.86	$52,383,636.07	$245,861,810.39
Jute and paper	33,455.48	11,301,527.76	1,741,861.21	13,076,844.45
Wheat	48,726,489.41	132,602,160 22	69,300,239.80	250,628,889.43
Tobacco	4,946,873.79	29,344,548.30	29,336,732.93	63,628,155.02
Corn	886,301.15	7,295,812.48	4,050,193.11	12,232,306.74
Hogs	3,149,548.21	172,466,465.14	94,465,071.54	270,081,084.89
Sugar		33,887,456.54	66,439,690.13	100,327,146.67
Peanuts		430,917.74	3,272,002.26	3,702,920.00
Rice			671,106.03	671,106.03
Rye			145,829.89	145,829.89
Unclassified	+3,543,960.11	−2,408,806.33	−770,849.30	364,304.48
Total	140,563,248.61	499,121,635.71	321,035,513.67	960,720,397.99
Cotton ginning taxes		121,505.95	1,299,405.01	1,420,910.96
Tobacco sales taxes		1,065,013.05	2,930,141.22	3,995,154.27
Potato sales tax			275.57	275.57
Grand total	140,563,248.61	500,308,154.71	325,265,335.47	966,136,738.79
Less:				
Tax collections due United States possessions		7,026,174.39	17,666,900.12	24,693,074.51
Net tax receipts	140,563,248.61	493,281,980.32	307,598,435.35	941,443,664.28

CHAPTER 10

COTTON

SALIENT FACTS ABOUT THE UNITED STATES COTTON SITUATION

1. Cash income from cotton production and adjustment payments:		
1932		$464,000,000
1933		862,000,000
1934		822,000,000
1935		877,000,000
2. Farm price of cotton lint per pound:		
1932	cents	6.5
1933	do	10.2
1934	do	12.4
1935	do	11.1
3. Total production:		
1932	bales	13,001,000
1933	do	13,047,000
1934	do	9,636,000
1935	do	10,638,000
4. World carry-over of American cotton at beginning of season:		
1932	bales	12,960,000
1933	do	11,588,000
1934	do	10,634,000
1935	do	9,009,000
1936 (estimated)	do	{7,000,000 7,500,000

During the 3-year period, 1933–35, there was considerable improvement in the American cotton situation. Cotton prices and income from cotton production advanced. Excessive supplies were reduced, although the carry-over of American cotton at the close of 1935 was still well above normal, despite progressive reduction during the period.

I. CHANGES FROM 1932 TO 1935 IN ECONOMIC SITUATION OF COTTON INDUSTRY IN THE UNITED STATES

The situation of cotton producers in 1932 was due only in part to the world-wide depression. It is doubtful whether, even without the depression, the 17-million bale crop of 1931 could have been absorbed except with a drastic price reduction such as had occurred under similar circumstances in 1926. Cotton prices declined from an average of 20.2 cents per pound in the 1927–28 season, to 16.8 cents in 1929–30, to 9.5 cents per pound in 1930–31, and to 5.7 cents in 1931–32, and averaged only 6.5 cents for the 1932–33 season. Total consumption of American cotton did not increase with the drop in

price, but declined from 15,407,000 bales in the 1927–28 season to 10,901,000 bales in the 1930–31 season; it amounted to 12,316,000 bales in the 1931–32 season and to 14,171,000 bales in the 1932–33 season.

CARRY-OVER REDUCED, BUT STILL ABOVE NORMAL

The carry-over of American cotton reached the record of 12,960,000 bales on August 1, 1932. Since then the carry-over has been reduced. It appears that it will be about 7 to 7½ million bales on August 1, 1936. However, this is still well in excess of the average carry-over of 6,024,000 bales for the 10-year period 1923–24 to 1932–33.

The course that has been followed by these factors in the economic situation of the United States cotton industry, is shown in figure 2.

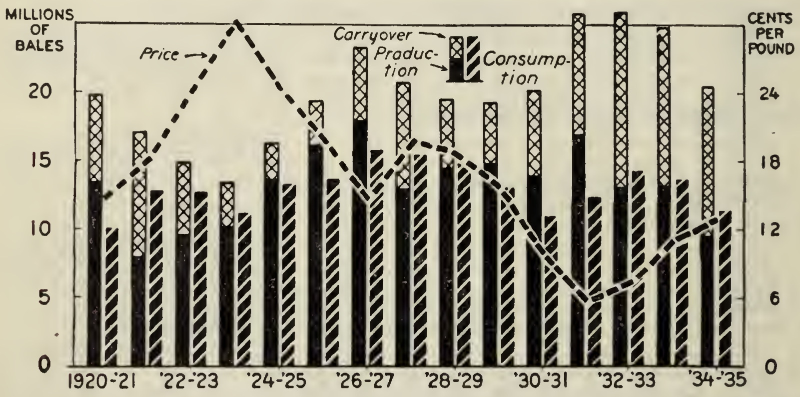

FIGURE 2.—Production, world consumption, world carry-over, and price of American cotton, by crop years, 1920–21 to 1934–35.

The world supply of American cotton had increased from 19,-246,000 bales in the 1929–30 season to approximately 26,000,000 bales in the 1931–32 and 1932–33 seasons. It probably would have increased still further to 29,135,000 bales for the 1933–34 season if 4½ million bales had not been eliminated by the 1933 plow-up program in the United States. The world supply of American cotton in 1933–34 was reduced to 24,635,000 bales; in 1934–35 to 20,270,000 bales; and in 1935–36 to 19,644,000 bales.

Except for the plow-up program, the world supply of all growths of cotton would have been 47,104,000 bales in the 1933–34 season instead of the actual figure of 42,604,000 bales. For the 1935–36 season, world supply of all growths had been reduced to 39,624,000 bales. This still is considerably above the average supply of 35,764,000 bales during the 10-year period 1923–24 to 1932–33.

FARM PRICE AND INCOME CHANGES

Compared with the 1932 farm price of 6.5 cents per pound, the price of lint in 1933 was 10.2 cents; in 1934 it was 12.4 cents; and in 1935 it was 11.1 cents. (See figure 3.)

Farm income from cotton and cottonseed declined from $1,470,-000,000 in 1928–29 to $464,000,000 in 1932–33, the lowest figure in 30

years. It had exceeded 1 billion dollars in 13 out of the 15 years prior to 1930. In the 3-year period, 1933–35, the farm value of cotton lint and seed, together with benefit payments, averaged nearly $900,000,000.

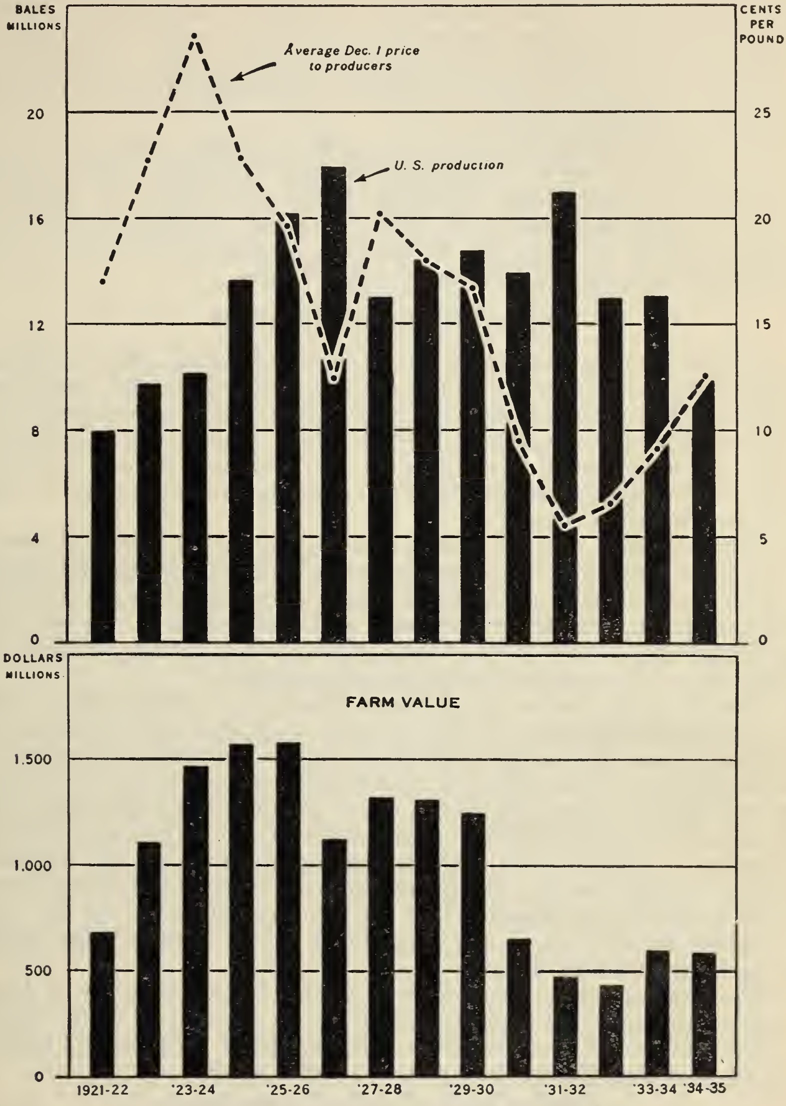

FIGURE 3.—United States production, average December 1 price to producers, and farm value of lint, United States cotton, 1921–22 to 1934–35.

The rate of exports of American cotton is closely related to the farm price of lint in the United States and to the rate of world consumption of American cotton. Exports amounted to 8,044,000 bales in the pre-depression year 1928–29, when the average farm price of lint in the United States was 18 cents per pound and world

consumption of American cotton totaled 15,066,000 bales. In contrast, the farm price in 1932–33 was only 6.5 cents per pound. Although world consumption that year amounted to 14,171,000 bales, exports amounted to 8,419,000 bales as foreign buyers stocked up on low-price American staple. In 1933–34 the farm price rose to 10.2 cents per pound; world consumption trended downward to 13,534,000 bales, and exports amounted to 7,534,000 bales. In 1934–35 with an average farm price of 12.4 cents per pound, consumption dropped more than 2 million bales to 11,338,000 bales and exports were only 4,799,000 bales.

Cotton consumption during the first 5 months of the 1935–36 season showed considerable improvement. Exports from August to December 1935 totaled 3,452,000 bales, an increase of 1,053,000 bales over the same period in 1934. Domestic consumption for the first 5 months of the 1935–36 season exceeded that for the same period in the preceding season by 283,000 bales.

ORGANIZATION OF GROWERS

County production-control associations, of which cotton growers who signed adjustment contracts became members in 1933, continued their activities throughout the succeeding cotton-adjustment programs. These associations selected, from among their members, county committees of three persons. In addition, committees were formed for each community of 300 cotton farms or fraction of that number, within a county.

Committeemen assisted growers in developing the production records necessary for their contracts, saw to the completion and checking of the contracts, adjudicated disputes occurring among the various parties interested in contracts, and assisted in giving growers information on the economic status of the cotton industry and on the provisions of the different adjustment programs.

The National Cotton Adjustment Board was established in 1935 to act for the Secretary of Agriculture on appeals arising out of the voluntary and Bankhead cotton-adjustment programs. Previous to its institution, the recourse of a dissatisfied producer was an appeal to his county committee, thence to his State adjustment board, and finally to the Cotton Division of the Agricultural Adjustment Administration at Washington. Upon the organization of the National Cotton Adjustment Board, appeals from decisions of the State adjustment boards were referred to that body, the appellant having the right to withdraw his case at any stage until it had actually been passed upon by the national board.

The members of the board were appointed by the Secretary of Agriculture and included representatives of the division of cotton and a representative of the Bureau of Agricultural Economics, with a member of the office of the solicitor as legal adviser.

II. THE 1933 COTTON PROGRAM

Number of contract signers	1,032,000
Acres planted by contract signers	29,893,000
Percent of total acreage planted by signers	73.2
Acres taken out of production	10,497,000
Estimated amount of cotton eliminated from production___bales	4,500,000
Adjustment payments	$178,550,000
Amount of loans on cotton, 1933 program	$120,498,000

Lack of balance between production and consumption of cotton had, in 1933, brought about a wide disparity between the prices farmers received for cotton and the prices they paid for articles they buy and had in large part destroyed cotton farmers' purchasing power for industrial products. Correctives were applied under the Agricultural Adjustment Act.

Under the 1933 program initiated under the Agricultural Adjustment Act, cotton producers withdrew from production 10,500,000 acres of cotton which, at average yields for that year, would have produced 4½ million bales. Approximately 1,032,000 producers participated in this program and received $178,550,000 in adjustment payments on land taken out of production.

The farm price of cotton increased from 6.5 cents per pound in the 1932 season to 10.2 cents per pound for the 1933 crop; the farm value of the crop—lint and seed—increased from $483,887,000 to $745,981,000 exclusive of adjustment payments, and to $924,531,000 when adjustment payments are included. The world carry-over of American cotton was reduced by 1,372,000 bales.

The cotton producers' pool for 1933 and the cotton-loan plan for 1933 are covered in other sections of this chapter. More detailed accounts of the 1933 cotton program are given in the 1933 and 1934 reports of the administration of the Agricultural Adjustment Act.

III. THE 1934 COTTON PROGRAM

Number of contract signers	1, 004, 000
Acres planted by contract signers	20, 697, 000
Percent of total acreage planted by signers	74. 2
Acres rented to Secretary of Agriculture	14, 550, 000
Estimated reduction in production through adjustment, bales	5, 200, 000
Adjustment payments	$115, 800, 000
Amount of loans on cotton, 1934 program	$282, 644, 000
Tax-exempt cotton under Bankhead Act, bales	10, 460, 000
Total production for season, bales	9, 636, 000

In 1934, approximately 14½ million acres were withheld from cotton production by 1,004,000 producers who signed contracts that year and who received $115,800,000 in adjustment payments. Contract signers planted acreage included 74.2 percent of all acreage planted to cotton in the United States in 1934.

The world carry-over of American cotton August 1, 1934, was 954,000 bales less than on the same date a year previously and the world supply of American cotton for the 1934–35 season was 4,365,000 bales less than the supply for the 1933–34 season.

The price of lint cotton in 1934 averaged 12.4 cents per pound and the farm value of the crop—lint and seed—exclusive of adjustment payments, was $744,589,000. Including adjustment payments the farm value was $860,389,000.

The cotton producers' pool and cotton-loan plan operations in 1934 are discussed in other sections of this chapter.

VOLUNTARY ADJUSTMENT PROGRAMS SUPPLEMENTED BY BANKHEAD ACT

In 1934 the voluntary cotton-acreage adjustment program was supplemented by the production-control provision of the Bankhead Cotton Act, which was approved April 21, 1934, in response to a

growing strong sentiment in favor of some measure that would prevent growers who did not cooperate in the voluntary adjustment programs, from increasing their own plantings in order to capitalize upon price advances resulting from reductions made by contract signers.

The Bankhead Act provided that in the 1934–35 season the "national quota" of cotton should be 10 million bales (500 pounds net weight, equivalent to 10,460,251 bales of 478 pounds, net weight) and that this amount of cotton might be ginned and marketed free of a tax that was fixed by the act as 50 percent of the average central market price of ⅞ inch Middling spot cotton. This rate was determined by the Secretary to be 5.67 cents per pound of lint.

The act provided that the national quota was to be allocated by the Agricultural Adjustment Administration among the cotton-producing States on the basis of their production during the period 1928–32, provided, however, that no State would receive an allotment of less than 200,000 bales of cotton if in any 1 of 5 years prior to this date the production of the State equaled 250,000 bales. Under this provision Missouri and California were apportioned an allotment of 200,000 bales. The State quotas were then allotted among counties on the same basis, and among individual farms on the same formula.

Certificates exempting their individual allotments of cotton from the cotton-ginning tax were distributed among approximately 2½ million growers who applied for and received such allotments. As a result of variations in yield among regions in the 1934–35 season, some growers received allotments and exemption certificates covering more cotton than they produced for sale, while other growers produced cotton in excess of their allotments.

The tax-exemption certificates were transferable and in order to facilitate their transfer there was organized a national pool to purchase certificates from growers who had more certificates than they had cotton to market, and sell the certificates to growers who had cotton in excess of their allotments. The price at which the certificates would be sold by the pool was fixed at 4 cents per pound of lint, or about 70 percent of the tax on excess cotton. The operations of the tax-exemption certificate pools in 1934 and 1935 are discussed in another section of this chapter.

IV. THE 1935 COTTON PROGRAM

Number of contract signers	1, 300, 000
Acreages planted by contract signers	25, 224, 000
Percent of total acreage planted by signers	90. 5
Acres rented to Secretary of Agriculture	14, 000, 000
Estimated reduction in production through adjustment, bales	5, 500, 000
Adjustment payments	$168, 000, 000
Amount of loans on cotton, 1935 program	$3, 028, 269
Tax-exempt cotton under Bankhead Act, bales	10, 983, 264
Total production for season, bales	10, 638, 000

The purpose of the 1935 cotton-acreage adjustment program, like that of the 1933 and 1934 programs, was to reduce the still excessive carry-over of cotton and to bring about a balance between the production of, and the demand for cotton. On August 1, 1934, this carry-over amounted to 10,634,000 bales, or slightly more than one-half the total world supply of American cotton for the 1934–35

season. The acreage-adjustment program already had the support of approximately 1,004,000 producers who, in 1934, had entered into a 2-year contract.

In accordance with the results of a referendum held among producers on December 14, 1934, and the proclamation of the President on February 28, 1935, to the effect that the economic emergency in cotton production and marketing still existed, the provisions of the Bankhead Cotton Act, which had been in effect in 1934, were continued in operation for the 1935–36 season.

In formulating the 1935 phases of the cotton acreage adjustment program, provision was made to allow producers who had not signed contracts in 1934 to enter into a 1-year contract for 1935. Approximately 1,300,000 producers, including those who had entered into contracts in 1934 and those who signed the new contract, cooperated in 1935. Their total cotton base amounted to 42,800,000 acres.

THE 1935 ACREAGE-ADJUSTMENT PROGRAM

The contract covering the 2-year program provided that signers would reduce the acreage on their farms to be planted in cotton in 1934 by not less than 35 percent nor more than 45 percent below the base acreage, and in 1935 by not more than 25 percent. In view of the still excessive carry-over at the beginning of the 1935–36 season it was found that it would be advantageous to further reduce the acreage below that specified in the contract. This would reduce the carry-over and would also permit contract signers to adjust their acreage in conformity to their individual allotments under the Bankhead Act.

On November 28, 1934, the Secretary of Agriculture proclaimed his purpose to continue the cotton acreage reduction plan for 1935, and stated that the percentage of reduction to be required in 1935 under the contract would be 25 percent of the base acreage. He also announced that he would accept the rental of additional acres, up to 5 percent of the base. On January 17, 1935, a supplementary announcement stated that the Secretary would accept the rental of additional acres up to 10 percent of the base instead of the 5 percent as previously announced. Therefore, producers had the opportunity to rent and receive benefit payments on a maximum of 35 percent of their base acreage, rather than the 25 percent maximum specified in their 1934 contracts.

With the Bankhead Act in effect for 1935, and with a maximum reduction of 35 percent from the base acreage being allowed under the adjustment contracts, it was estimated that with an average yield the 1935 crop would total about 11½ million bales. The August 1, 1935, crop report of the Bureau of Agricultural Economics indicated a total production of 11,798,000 bales, the November 1 report 11,141,000 bales, and the December 1 report a production of 10,734,000 bales from 27,872,000 acres planted by both signers and nonsigners of adjustment contracts.

The payment of 3½ cents per pound on the average yield of lint cotton for the rented acres, in effect in 1934, was continued in 1935. The 1934 parity payment of not less than 1 cent per pound on the farm allotment was increased in 1935 to not less than 1¼ cents per pound.

Total rental and parity payments to producers in 1935 amounted to $123,000,000, an increase of $7,200,000 over those made in 1934.

ADJUSTMENTS IN BASES NECESSARY

Late in 1934 it became apparent that adjustments in the base acreage and production figures of certain contracts entered into that year would be necessary. These revisions required a downward revision in some cases and an upward revision in others. The method of adjusting contracts in 1934 to prevent the total of the base acreage and production figures of contract signers from exceeding the pro-rata share of official and county acreage and production figures, had unduly penalized some growers.

Certain producers, in presenting their Bankhead applications, had entered acreage and production figures lower than those entered in their production-adjustment contracts. It was also found in checking compliance that acreages were sometimes less than or more than the acreage which the producer had thought he was in the habit of planting to cotton. Administrative rulings authorized upward or downward revisions in individual contract figures in 1935 to conform to the facts, when the county committee was convinced that the figures shown in the contract were higher or lower than was warranted. No limitation was placed upon the total amount of the downward adjustments which could be made in the acreage and production figures of producers within a county. However, the upward revision was limited so that in no county could the total of upward revisions exceed the total of downward revisions. Net results of these revisions have not yet been calculated, but an appreciable decrease in both base acreage and production figures in the contracts of 1934 signers was brought about by the downward adjustments. Some counties adjusted only a few contracts; the highest number reported for any county was about 3,000.

The producer who had signed the 1934 and 1935 contract in 1934, whose farm remained the same size, and whose acreage and production figures were not adjusted, signed a 1935 amendment and a 1935 supplement relating to his 1934 contract. This was necessary because the percentage of reduction in 1935 was different from that in 1934 and therefore the rented and permitted acreages were recomputed in order that payments might be made on the basis applicable for 1935.

The producer whose acreage and production figures were to be adjusted executed a 1935 supplement to the contract which he had signed in 1934. This document carried the adjusted figures applicable for 1935. The producer who had not signed a contract in 1934, entered into the special 1-year contract for 1935 and signed a "1934 and 1935 cotton acreage reduction contract as entered into in 1935." Its provisions gave him no advantage over the producer who had entered into a contract in 1934. Procedure for entering into such a contract in 1935 was altered from that followed in 1934 in such a manner as to eliminate much delay and expense in checking the contracts in the Washington office. This task had materially retarded the acceptance and payment of contracts in 1934.

Before making the second rental payment and the parity payment for 1935 it was necessary to determine that each farm covered by a cotton contract was in compliance with respect to the acreage permetted to be planted and the authorized uses of the rented acreage, and that the acreage of peanuts, rice, tobacco, or wheat produced for sale on the farm were not in excess of the plantings of those crops in 1932 or 1933, whichever was greater, except as permitted by administrative rulings or by the terms of an adjustment contract.

The planted acreage was accurately measured under the direction of a compliance supervisor and it was determined that as nearly as practicable, reduction in acreage had been effected ratably among tenants on the farm, and that insofar as possible the normal number of tenants and employees had been maintained on the farm in 1935.

After full compliance with the terms of the contract had been established and the forms in connection with such compliance had been completed, certified, and approved, the compliance certificates were forwarded to the State boards of review for approval, and thence to Washington for acceptance and audit, prior to the making of second rental payments and parity payments under the contract for 1935.

THE BANKHEAD ACT IN 1935

According to its own provisions, the Bankhead Cotton Act of April 21, 1934, was effective with regard to the crop year 1934–35, and could be made applicable to the 1935–36 crop year if the Secretary of Agriculture found that two-thirds of the persons engaged in cotton production favored the continuation of the act through the 1935–36 crop year.

Accordingly, on December 14, 1934, there was held among growers a referendum upon the question of whether they favored the continuation of the act through another crop year. Approximately 1,522,000 producers, among the 2,657,000 who were eligible, voted in the referendum. Voters favoring the continuation of the act numbered more than 1,361,000, or 89.4 percent of the number voting.

In accordance with the results of this referendum and with the proclamation of the President on February 28, 1935, to the effect that the economic emergency in cotton production and marketing still existed, the Bankhead Act provisions were continued in effect for the crop year 1935–36. The rate of the ginning tax on cotton in excess of the allotments under the act was set at 6 cents per pound on June 12, 1935, and was changed to 5.45 cents per pound on October 21, 1935.

The national quota for the 1935–36 crop year was set at 10,500,000 bales of 500 pounds net weight after the Secretary of Agriculture had ascertained from investigation of the available supply of cotton and the probable market requirements, that this was the quantity that should be allotted in accordance with the provisions of the act to be marketed in interstate and foreign commerce. The national quota, as in the preceding year, was allocated among States, counties, and individual producers on the basis of production during the base period.

The allotments of tax-exempt ginnings of cotton among States, under the 1935 Bankhead program, are shown in table 38.

TABLE 38.—*Allotments of tax-exempt ginnings of cotton to States, under 1935 Bankhead plan*

State	5-year average production (1928–32)		Allotment in terms of net pounds of lint	Allotment in equivalent 478-pound net weight bales
	Equivalent 478-pound net weight bales	Net pounds of lint		
	1,000 bales	*1,000 pounds*	*Pounds*	*Bales*
Virginia	45	21, 598	16, 001, 700	33, 476
North Carolina	752	358, 857	265, 871, 900	556, 218
South Carolina	856	408, 763	302, 846, 600	633, 570
Georgia	1, 241	593, 210	439, 500, 700	919, 458
Florida	35	16, 757	12, 415, 000	25, 973
Illinois	1. 0	466	345, 000	722
Kansas	0. 5	256	189, 800	397
Kentucky	9. 1	4, 339	3, 215, 000	6, 726
Tennessee	479	229, 305	169, 888, 700	355, 416
Alabama	1, 255	600, 363	444, 800, 200	930, 544
Mississippi	1, 559	745, 781	552, 538, 300	1, 155, 938
Louisiana	745	356, 376	264, 033, 800	552, 372
Texas	4, 580	2, 197, 538	1, 628, 124, 000	3, 406, 117
Oklahoma	1, 109	531, 228	393, 579, 100	823, 387
Arkansas	1, 351	646, 643	479, 088, 400	1, 002, 277
New Mexico	90	43, 234	32, 031, 400	67, 011
Arizona	128	61, 454	45, 530, 400	95, 252
Total excluding California and Missouri	14, 236	6, 816, 168	5, 050, 000, 000	10, 564, 854
California	200	95, 781	100, 000, 000	209, 205
Missouri	229	109, 717	100, 000, 000	209, 205
Grand total	14, 665	7, 021, 666	5, 250, 000, 000	10, 983, 264

The Bankhead Act was passed at a comparatively late date in the 1934–35 season. This fact and the difficulty of preparing the necessary forms, procedure, and regulations in that year caused delay and hardship for producers, ginners, and State and county workers. This delay was largely eliminated in 1935 through the experience that had been gained in the preceding year. With few exceptions, the forms and procedure in 1935 were the same as those that had been used in 1934.

In accordance with a commitment that growers whose farms produced not more than two bales of cotton would be exempted from the cotton-ginning tax, such producers, whose farms had allotment bases of 956 pounds or less, received allotments equal to their allotment bases, while those whose allotment bases were in excess of 956 pounds received allotments of not less than 956 pounds.

THE 1935 PRICE-ADJUSTMENT PAYMENT

The 1935 cotton adjustment payment tended to offset a reduction in returns to growers that might have resulted when the cotton loan rate for the 1935 crop was reduced to 10 cents. The payment enabled growers to sell their cotton at current market prices, and still obtain a return close to 12 cents per pound.

The conditions of this adjustment payment were that growers who had cooperated in the 1935 acreage-adjustment program or who agreed to cooperate in the 1936 program would receive on all cotton sold, not in excess of their allotments under the Bankhead Cotton Act, an amount equal to the difference between 12 cents and the average price at the 10 designated spot markets on the day they

sold their cotton. However, such payments were not to exceed 2 cents per pound.

For example, a grower might have sold 10 bales of cotton on September 16, 1935, the low point of the season, for 10.25 cents a pound. But he received, in addition, an adjustment payment of 1.65 cents a pound, the difference between 12 cents and the average price of 10.35 cents at the 10 spot markets on September 16. This brought the average price to the grower up to 11.90 cents a pound.

Funds for financing these adjustment payments were made available from customs duties through section 32 of the Act of August 24, 1935, "to amend the Agricultural Adjustment Act and for other purposes" (Pub. No. 320, 74th Cong.). It is estimated that payments for the 1935 agreement may approximate as much as 45 million dollars.

ACCOMPLISHMENTS IN 1935

Under the 1935 cotton acreage adjustment program, cooperating producers with a base of 42,800,000 acres agreed to rent to the Secretary of Agriculture 14,000,000 acres, or 32.7 percent of their base acreage. However, these producers, instead of planting the remaining 67.3 percent, or 28,800,000 acres, actually planted only 25,224,000 acres, or 3,576,000 acres less than was permitted under their contracts. Nonsigners planted 2,648,000 acres. The total cotton acreage planted by signers and nonsigners thus amounted to 27,872,000 acres, or somewhat less than signers would have been permitted to plant under their contracts.

Total production amounted to 10,638,000 bales. It was estimated, on the basis of average yield, that 5,500,000 bales had been eliminated from the potential 1935 supply. The world carry-over of American cotton, which had amounted to 10,634,000 bales at the beginning of the 1934–35 season, was decreased by over 1,500,000 bales.

Under the provisions of the Bankhead Cotton Act, 10,500,000 bales of 500 pounds net weight or 10,983,000 bales of 500 pounds gross weight, were set as the 1935 quota. Because of underplanting, abandonment, and unfavorable weather conditions, there were harvested only about three-quarters of a million bales less than the 11,500,000-bale crop that had been anticipated.

The price for lint cotton from the larger 1935 crop was approximately 1¼ cents per pound less than the price for the 1934 crop. However, the objective of the price-adjustment payment plan adopted in 1935, was to assure producers an average return of at least 12 cents per pound on the basis of ⅞-inch Middling cotton. A more detailed discussion of the price adjustment payment plan is given elsewhere in this chapter.

Cash income from the 1935 crop and adjustment payments are estimated at 877 million dollars. It is anticipated that the 9,009,000-bale carry-over of August 1, 1935, will be reduced to 7,000,000 or 7,500,000 bales by August 1, 1936.

V. COTTON LOANS

Loans at the rate of 10 cents per pound on cotton from the 1933–34 crop, held by producers, were made by the Commodity Credit Cor-

poration in 1933, and were financed, in turn, by the Reconstruction Finance Corporation. During the 1933–34 season, direct loans by the Commodity Credit Corporation amounted to approximately $60,000,000 while banks and other nongovernmental lending agencies loaned an additional $60,000,000. The Commodity Credit Corporation agreed to take over from the nongovernmental agencies such loans as were offered to it prior to July 1, 1934, and did buy such paper to the amount of about $42,000,000 bringing the total loans held by the Corporation to approximately $102,000,000. Loans on the 1933–34 crop made by the Corporation and by non-Government agencies together, aggregated $120,498,491.26 on about 2,345,787 bales of cotton. These loans matured February 1, 1935. On December 31, 1935, the Commodity Credit Corporation owned 6,501 bales of cotton, taken over as a result of the 10-cent loan of 1933.

Loans of 12 cents a pound were approved September 6, 1934, on 1934 cotton of Low Middling or better grade, and ⅞ inch or better in staple, and loans of 11 cents a pound on cotton of the same grade with staple below ⅞ inch. These loans were made to producers participating in the acreage reduction program under the Agricultural Adjustment Act. On December 31, 1935, the Commodity Credit Corporation had received advices of cotton loans to producers totaling $282,643,977.97 on 4,631,810 bales of cotton. The Corporation extended the maturity date of these loans to February 1, 1936.

As a result of this quantity of cotton being withdrawn from trade channels, a shortage developed in available supplies of certain types. This situation was somewhat relieved by sales of approximately 535,000 bales from the producers' pool during the period from October 1, 1934, to April 1, 1935.

EFFECT OF 12-CENT LOAN IN 1934

The 12-cent loan in 1934 had the effect of raising and stabilizing the price of the 1934 crop, but prices were not maintained after the marketing season was over, and for a considerable time cotton could not be withdrawn from under the loan to satisfy consumption requirements, at a price that would repay the loan and accumulated carrying charges.

The 12-cent loan also had the effect, insofar as the futures market was concerned, of holding old-crop (1934) futures contracts above new-crop (1935) futures contracts, since the cotton trade reasoned that prices for the 1935 crop, without a 12-cent loan, would be lower than prices for the 1934 crop.

Since domestic sellers and foreign buyers depend upon the futures market to show premiums on each successive contract, sufficient to cover carrying charges from the time the cotton is purchased and exported until it is consumed, the absence of such premiums made it unprofitable for exporters to ship and for importers to carry cotton that would not be consumed in the 1934–35 season. As a result, stocks of American cotton abroad were run down sharply, and exports for 1934–35 were the smallest in many seasons.

LOAN POLICY MODIFIED IN 1935

In view of the apparently adverse effect of the 12-cent loan on consumption, the loan rate for the 1935 crop was reduced to 10 cents.

The new loan rate and the "price-adjustment payment plan" were announced in August of 1935. Following the inauguration of these measures, both exports and domestic consumption of cotton increased. From August 1, 1935, through December 31, 1935, exports of cotton from the United States totaled 3,452,266 bales as compared with 2,398,827 bales during the same 5 months in 1934, an increase of 43.9 percent. During the same period in 1935 consumption of cotton in the United States totaled 2,366,605 bales as compared with 2,083,266 during the same 5 months in 1934, an increase of 13.6 percent.

The 10-cent loan in 1935 attracted only a few thousand bales of cotton because growers were willing to sell their cotton at current prices, in view of the fact that the price-adjustment payment prevented their returns from being reduced by the reduction in the loan rate. Free selling by growers lowered the price basis. This lower price basis, in turn, tended to depress the nearby futures contracts, thus encouraging the movement of cotton into exports and consumption.

As a result of this movement, throughout the heaviest marketing period for the 1935 crop, cotton prices averaged somewhat higher than they were at the time when the 10-cent loan and the price-adjustment payment were announced. This price advance occurred not only during the marketing period, but in a period when growers were marketing their crop much more rapidly than usual.

As of December 31, 1935, loans aggregating $3,028,269.01 had been made by the Corporation and by nongovernmental agencies, on 59,277 bales of 1935 cotton. Of this sum, $170,535.14 had been repaid, releasing 3,316 bales of cotton.

VI. THE COTTON PRODUCERS' POOL

Among the cotton growers who cooperated in the 1933 reduction programs, 575,312 elected to accept options at the rate of 6 cents per pound, on cotton owned by the Government, as part of their compensation for participating in the program. The options so issued, through December 31, 1935, covered 2,446,929 bales of actual cotton and of futures contracts. It was agreed that if the cotton were sold for more than 6 cents a pound, the profits would accrue to the producers holding options, whereas if it were sold for less than 6 cents a pound the Government would bear the loss.

Under authority of the Agricultural Adjustment Act, the Secretary of Agriculture acquired from the Farm Credit Administration the cotton which that agency had in turn acquired from previously existing agencies. The Secretary took over in this manner, 2,485,571 bales of cotton and futures. To this number 149 bales were added through increase in weight in converting futures into actual cotton.

Through December 31, 1935, producers to the number of 131,825 had ordered the exercise of their options by direct sale, on 493,874 bales of cotton, which was sold at approximately 11.25 cents per pound. The proceeds of these sales, after the deduction of the option-purchase price of 6 cents per pound, amounted to $12,603,173.62 and was distributed among the growers ordering the sale of the cotton.

On the same date there were options, unexercised, on 1,335 bales of cotton. Some of these options were the subject of claims, some had been allowed to lapse, and some had not been exercised.

From the Secretary's account, through December 31, 1935, there had been sold against surplus and through agents, a total of 40,070 bales of actual cotton and futures.

POOL ESTABLISHED JANUARY 8, 1934

On the order of the Secretary of Agriculture there was established on January 8, 1934, a producers' pool to handle the options of those holders who had not elected to sell their options direct. At the end of the calendar year 1935, option holders to the number of 443,421 had surrendered to this pool options against 1,951,719 bales of cotton, receiving in return participation trust certificates issued by the pool. To meet these options and cover these certificates, the Secretary had turned over to the pool 1,951,719 bales of cotton and futures.

Two cash advances have been made to the holders of these trust certificates. The first was at the rate of 4 cents per pound. Under this advance a total of $39,026,247.75 had been disbursed through December 31, 1935, to certificate holders. A second distribution was announced August 24, 1934, to be at the rate of 2 cents a pound, less a carrying charge of .48 cents per pound. In connection with this advance there had been distributed at the end of 1935 a total of $11,515,355.12. Funds for making the first advance of 4 cents a pound were borrowed from commercial banks; those for making the 2-cent advance were borrowed from the Commodity Credit Corporation. The cotton represented by the trust certificates is security for these advances and for the original option-purchase price of 6 cents a pound.

Since August 24, 1934, the manager of the cotton producers' pool has purchased from their holders trust certificates representing 342,888 bales of cotton and futures and has sold a corresponding number of bales on the market. Such certificates were bought by the pool manager at the market prices prevailing on dates specified by the certificate holders at the time when they made the offers to sell their certificates, and occurring subsequently to the dates of the offers to sell.

From the prices paid for these certificates there were deducted: (1) The original option-purchase price of 6 cents per pound, (2) the 4-cent per pound advance that had been made on the cotton, and (3) carrying charges amounting to $2.40 per bale. Cash paid through December 31, 1935, to the producers who sold these certificates to the pool manager, totaled $2,960,401.30.

Remaining in the possession of the pool at the end of 1935, and covered by trust certificates yet in the hands of producers, were futures contracts for 900,100 bales, and 627,842 500-pound bales of actual cotton, making a total of 1,527,942 bales. In addition, liquidation sales by the pool had amounted to 80,905 bales.

Operations of the cotton producers' pool through December 31, 1934, are discussed in greater detail in "Agricultural Adjustment in 1934, a Report of Administration of the Agricultural Adjustment Act February 15, 1934, to December 31, 1934."

COTTON ACCOUNT OF THE SECRETARY OF AGRICULTURE

The cotton account of the Secretary of Agriculture at the close of business Saturday, December 31, 1935, stood as follows:

	Bales		Bales
Cotton acquired from Farm Credit Administration	2,485,571	Bales of cotton delivered by Secretary to pool	1,951,719
Increase because of weight in replacing futures with spots	149	Sold against exercise options	[1] 493,931
		Sold against surplus	22,662
		Sold by W. M. Garrard and A. C. C. A. through December 15 [2]	17,408
Total	2,485,720	Total	2,485,720

[1] The difference between these figures and the figures given in textual discussion are due to the method of selling futures contracts in lots which do not always correspond exactly to the number of options or certificates purchased or ordered sold.

[2] W. M. Garrard is selling agent for the cotton pool located at Greenwood, Miss. A. C. C. A. is selling agent for cotton pool located at New Orleans, La.

POOL-COTTON ACCOUNT

The status of the pool at the close of business Saturday, December 31, 1935, was as follows:

	Bales		Bales
Cotton received from Secretary of Agriculture	1,951,719	Sold against certificates surrendered	[1] 342,888
Short futures position	16	On hand actual cotton	627,842
		On hand futures	900,100
Total	1,951,735	Sold in liquidation	80,905
		Total	1,951,735

[1] The difference between these figures and the figures given in textual discussion is due to the method of selling futures contracts in lots which do not always correspond exactly to the number of options or certificates purchased or ordered sold.

The cotton obtained by the Secretary of Agriculture has been made the basis of the following payments, through December 31, 1935:

To option holders who exercised their options by direct sale	$12,603,173.62
To certificate holders, under 4-cent advance	39,026,247.75
To certificate holders, under 2-cent advance	11,515,355.12
To certificate holders of certificates purchased by the manager of the pool	2,960,401.30
Total	66,105,177.79

VII. SURPLUS TAX-EXEMPTION CERTIFICATE POOLS

Variations in the yield of cotton caused by differences in growing conditions and occurring both among individual farms and among cotton-producing regions, made it necessary in 1934 for cotton producers to transfer among themselves the tax-exemption certificates issued to them in connection with their allotments of cotton for tax-exempt marketing under the Bankhead Cotton Act.

Largely because of drought conditions in the western portion of the Cotton Belt, some growers there were in possession of more tax-exemption certificates than they had cotton to market; while other growers, particularly in the eastern portion of the Cotton Belt, where growing conditions had been generally more favorable, had more cotton than certificates.

Tax-exemption certificates had been issued only for the total cotton production that had been determined, under the provisions of the Bankhead Act, to be the desirable national quota. Transfer of these certificates among growers, therefore, did not relax the limitation upon total national production, but served to distribute the tax-exempt marketing of that total production on the basis of the individual grower's experience with the weather and other yield factors.

Transfers of tax-exemption certificates among growers in the same county were authorized in administrative regulations issued by the Secretary of Agriculture in 1934 under the provisions of the Bankhead Cotton Act. Under these regulations, producers sold to other producers in their own counties some 14 million dollars' worth of tax-exemption certificates.

1934 NATIONAL POOL ESTABLISHED

Regional differences in yield became more evident in the 1934–35 season and administrative regulations were issued on September 5, 1934, establishing a national pool to facilitate the transfer of surplus certificates among growers. Producers who had certificates in excess of their production of actual lint cotton were permitted to surrender their surplus certificates to the pool, and their accounts were credited with the total amount surrendered and approved. In settlement, payments were made on each account on a pro rata basis, proportionate with the amount sold as compared with the total amount surrendered. The certificates themselves were canceled, and new ones of distinctive appearance were issued in their places. These new certificates were sold at the rate of 4 cents per pound to producers who had more cotton than certificates, through the cotton assistants in cotton-producing counties.

The 1934 national pool was closed for surrender of certificates on November 28, 1934. It was temporarily reopened for a few days only, in December of the same year.

Certificates covering 585,039,266 pounds of cotton were surrendered to the 1934 national pool by 402,074 producers. Certificates covering 400,238,605 pounds of cotton were sold to other producers, at the rate of 4 cents per pound, before sales from this pool were terminated on February 9, 1935. Proceeds of these sales amounted to $16,009,761.47 and were deposited in a special trust fund in the United States Treasury. Through December 31, 1935, there had been distributed $15,842,162.91 from this fund, among producers who had surrendered certificates. The balance of $167,598.56 covered administrative expenses and a reserve. The administrative expenses amounted to slightly more than 1 percent of the total receipts. Distribution of the proceeds among producers was made in two payments, the first beginning in January 1935 and the second in May of the same year.

THE 1935 "SPECIAL" POOL

The equities of producers in some 30 percent of the certificates that had been surrendered to the 1934 national pool and remained unsold covered 184,800,661 pounds of cotton. Holders of these equities were authorized to transfer them to the "1935 Special Surplus

Cotton Tax-Exemption Certificate Pool." By special administrative regulation, the pool was authorized to receive certificates for tax-exempt marketing of 1935 cotton, allotted to producers whose 1935 crop was destroyed by floods, particularly in Mississippi, Arkansas, and Texas. Surrenders to the special pool in this operation commenced in July 1935 and terminated August 27, 1935.

In all there were turned over to the special pool certificates from 193,572 producers, covering 123,014,802 pounds of cotton. Certificates covering 54,229,720 pounds of cotton were sold from this pool at the rate of 5 cents per pound. Proceeds of this sale totaled $2,711,514.19.

Sales from the 1935 special pool were terminated October 19, 1935, at which time some 140,000 producers holding equities in certificates that remained unsold from the special pool, were authorized to transfer them to the 1935 national pool. These unsold certificates represented 68,785,082 pounds of cotton.

THE 1935 NATIONAL POOL

The 1935 National Surplus Cotton Tax-Exemption Certificate Pool was opened September 4, 1935, for the surrender of surplus certificates issued to cover the marketing of 1935 cotton, and was closed with respect to such surrenders on January 17, 1936. Sale of surplus poundage from this pool, at the rate of 4 cents per pound, totaled $3,334,801.00 on December 31, 1935. Sales from this pool were terminated February 1, 1936. In addition to the 140,000 producers represented in the transfer of equities from the 1935 special pool, approximately 460,000 producers surrendered tax-exemption certificates, covering the marketing of 1935 cotton, to the 1935 national pool. Complete audits of the operations of this pool had not been made on December 31, 1935.

VIII. SUBSIDIES TO DOMESTIC CONSUMPTION

Section 32 of Public 320, an act to amend the Agricultural Adjustment Act, appropriates 30 percent of the gross receipts from duties collected under the customs laws to be used only for—(1) encouraging exports of agricultural commodities or the products thereof; (2) encouraging domestic consumption of such commodities or products by diverting them from the normal channels of trade and commerce; and (3) financing adjustments in quantity of agricultural commodities planted or produced for market.

The second of the three uses enumerated opens up many interesting possibilities for permanent benefit of agriculture. American industry as a whole has, in recent years, shown a tendency toward greater utilization of products of mines and factories, and away from direct utilization of the products of the farm. The development of motorized transportation has lessened the need for draft animals, and therefore the need for forage crops. The development of synthetic fibers has lessened the need for natural fibers. Mechanized agriculture requires fewer acres and fewer farmers to produce the same quantity of products. Agriculture, in order to prosper and support anything like the same number of families as in the past, must find new uses for farm products.

Cotton is already used for a wide variety of purposes, but by far the greatest portion of its production is devoted to manufacture of cotton textiles, for which purpose it is ideally suited. Industry has, in recent years, found many new uses for cotton fabrics. Cotton is a source of almost chemically pure cellulose, for which new uses are continually being found. Cottonseed is the source of four important products, oil, meal, hull, and linters, each of which has a great and increasing variety of uses.

FUNDS MADE AVAILABLE FOR EXPLORING NEW USES

Funds are made available, under the provision of the amended Agricultural Adjustment Act that has been cited, for studying and encouraging the further extension of uses of cotton. A number of projects are being considered to determine which are most worthy of encouragement, and two have reached the point at which the Comptroller General has been requested to authorize the expenditure of funds in their development.

Both projects relate to the use of cotton fabrics in road construction. The first is the use of cotton fabrics to reinforce and strengthen bituminous black-top secondary highways. The second is the use of cotton mats to cover green concrete until it has hardened or cured.

The so-called black-top roads, employed for many years in rural districts, are easily built and relatively inexpensive, but not so durable as concrete or macadam. The method of construction has been first to grade the dirt road, second to impregnate the surface with tar, third to spread and roll down a layer of broken stone, and finally to bind the stone with a second coating of tar. The new method is to spread a layer of cotton fabric over the impregnated base and cover it with tar, then spread the crushed stone and roll it over the fabric, and finish with a tar binder. Experience has shown that on certain types of soil and under certain climatic conditions, the cotton reinforcement greatly extends the life of the road. It prevents edge chipping and cracking and breaking of the surface.

It is desirable to test the process in all parts of the country and under all conditions. It is therefore proposed to buy standardized fabrics of different types from manufacturers, and supply them to State highway departments to be used under the supervision of the United States Bureau of Public Roads. In sections where successful experiments have been completed, this project constitutes a subsidy to the building of roads of an approved type. In other sections it gives encouragement to experimentation that has every prospect of satisfactory results.

While the effectiveness of cotton fabric mats for covering green concrete is recognized there is question whether, under all conditions, it will be as cheap or as satisfactory as the burlap covering generally used. The second project now under way is designed to answer this question. The first cost of the cotton mats will certainly be greater than the first cost of burlap, but it is claimed that the greater durability of the cotton mats will more than offset their greater first cost. The project involves the purchase and distribution of cotton mats to State and city highway departments for tests under

all conditions. If cotton mats prove more satisfactory than burlap, an important new use would be provided for considerable quantities of low-grade cotton.

Among other new uses of cotton fabrics which are under consideration are: (1) As wall covering in place of paper; (2) as outer covering for temporary or light structures, such as summer cottages and garages; and (3) as dressing and sun shelters for beaches. These suggestions in themselves offer no adequate solution of the problem of disposing of the potential cotton surplus, but it is hoped that they will lead to still more important future developments.

IX. THE COTTON PROCESSING TAX

In the prolonged agitation of the post-war period for a program to aid agriculture the parity price, or the fair exchange value, idea was developed and widely used as a measurement of what would constitute justice for agriculture. Provisions for making this idea effective were contained in the Agricultural Adjustment Act and amendments thereto.

The fundamental idea of the parity price was that farmers should receive for their products in terms of what they bought a price per unit that would equal that of the base period—August 1909 to July 1914—in the case of cotton. The average farm price of lint cotton in the base period was 12.9 cents per pound. As the prices in July 1933 of goods bought by farmers was 103 percent of the price of such goods in the base period, the average farm price of lint cotton in July 1933 for it to have had a purchasing power per unit equal to that in the base period should have been 13.3 cents (103 percent × 12.9 cents). Actually the average farm price of lint cotton was only 9.1 cents per pound, a difference from the parity price of 4.2 cents per pound (13.3 cents − 9.1 cents).

The rate of tax upon the first domestic processing of cotton for the 1933–34 marketing year was made 4.2 cents per pound, net weight of cotton in accordance with the provisions of the act, and became effective August 1, 1933.

Upon reappraisement of conditions at the beginning of the 1934–35 and 1935–36 marketing years, it was found that the rate which had been in effect during the 1933–34 marketing year was within the provisions of the act and need not be changed. This rate was equivalent to $20.08 per bale of 478 pounds net weight on the lint cotton domestically consumed, no tax being applicable to cotton exported. Applying only to domestic consumption the processing tax did not influence the world price of American cotton except to the extent, if any, that the processing tax reduced domestic consumption and thereby increased the quantity of cotton offered for sale in world markets.

EFFECT OF THE TAX ON CONSUMPTION

The average annual consumption of cotton by United States mills for the 5-year period 1925–29 was 3,293,400,000 pounds. For the 4-year period 1930–33 the average per annum decreased to 2,694,000,000 pounds. During the calendar years 1934 and 1935, when the processing tax was in effect, the consumption averaged 2,702,800,000 pounds, slightly more than the annual average con-

sumption during the preceding 4 years. In 1935 the market for products of the major textile fibers expanded and the consumption of cotton, rayon, silk, wool, and jute each increased. Consumption of cotton was 3.4 percent greater in 1935 than in 1934; consumption of rayon 29.2 percent greater; silk, 7.7 percent greater; wool, 81.3 percent greater, and the consumption (imports) of jute was 25.4 percent greater.

The increase in 1935 as compared with 1934 in the consumption of rayon was a reflection of the growing use of rayon and a continuation of the trend of the past several years. Increases in the apparent consumption of silk and wool appear to have been little more than the replenishment of supplies following a year in which sales were unusually low. Taking silk and wool together the annual average consumption for the calendar years of 1934 and 1935 was only 2.8 percent greater than their annual average consumption for the 4 years from 1930 through 1933. Similarly for jute, although there was a sharp increase in consumption (imports) in 1935 as compared with 1934, for the 2 years of 1934 and 1935 the annual average consumption was slightly less than the yearly average from 1930 through 1933.

As is indicated in table 39, the ratio of the consumption of cotton to the total consumption of the five major textile fibers has changed very little during the past quarter century, during which time the consumption of cotton has represented more than two-thirds of the total. The decrease in the cotton ratio from 74.07 percent for 1934 to 68.62 percent for 1935 was attributable to larger consupmtion of the other textile fibers rather than to a decrease in the demand for cotton.

TABLE 39.—*Consumption by United States mills of five textile fibers*

Calendar year averages or calendar years	Lint cotton	Rayon yarn	Raw silk delivered to United States mills	Combing and clothing scoured wool	Raw jute, jute yarn, and fabric [1]	Total
	Mills. of lbs.	*Mills. of lbs.*	*Mills. of lbs.*	*Mills. of lbs.*	*Mills. of lbs.*	*Mills. of lbs.*
1911–14	2, 591. 3	3. 5	[1] 30. 0	249. 4	[2] 623. 8	3, 498. 0
1915–19	3, 045. 3	7. 2	[1] 43. 9	340. 7	[2] 621. 1	4, 058. 2
1920–24	2, 816. 8	25. 8	43. 4	287. 6	713. 6	3, 887. 2
1925–29	3, 293. 4	90. 1	73. 0	250. 1	794. 9	4, 501. 5
1930–33	2, 694. 3	159. 9	73. 2	218. 1	573. 8	3, 719. 3
1934–35	2, 702. 8	223. 3	63. 7	235. 7	570. 9	3, 796. 4
1930	2, 608. 2	118. 0	77. 4	200. 7	733. 9	3, 738. 2
1931	2, 656. 2	157. 4	79. 1	237. 7	573. 6	3, 704. 0
1932	2, 463. 3	152. 0	73. 7	188. 5	449. 2	3, 326. 7
1933	3, 049. 6	212. 0	62. 4	245. 5	538. 3	4, 107. 8
1934	2, 657. 6	194. 8	61. 4	167. 6	506. 5	3, 587. 9
1935	2, 748. 0	251. 7	66. 1	303. 8	635. 2	4, 004. 8
PERCENTAGES						
1911–14	74. 08	0. 10	0. 86	7. 13	17. 83	100. 00
1915–19	75. 04	. 18	1. 08	8. 40	15. 30	100. 00
1920–24	72. 46	. 66	1. 12	7. 40	18. 36	100. 00
1925–29	73. 16	2. 00	1. 62	5. 56	17. 66	100. 00
1930–33	72. 44	4. 30	1. 97	5. 86	15. 43	100. 00
1934–35	71. 19	5. 88	1. 68	6. 21	15. 04	100. 00
1930	69. 77	3. 16	2. 07	5. 37	19. 63	100. 00
1931	71. 71	4. 25	2. 14	6. 42	15. 48	100. 00
1932	74. 04	4. 57	2. 22	5. 67	13. 50	100. 00
1933	74. 24	5. 16	1. 52	5. 98	13. 10	100. 00
1934	74. 07	5. 43	1. 71	4. 67	14. 12	100. 00
1935	68. 62	6. 28	1. 65	7. 59	15. 86	100. 00

[1] Imports. [2] Fiscal years ended June 30 through 1918.

EFFECT OF TAX ON MANUFACTURING MARGINS

Table 40 shows the spread between the cost of cotton and the prices of unbleached cotton goods from August 1, 1925, to December 31, 1935.

TABLE 40.—*Wholesale prices of unbleached cotton cloths, costs of lint cotton, and gross manufacturing margins, by crop years, 1925–26 to 1935–36*

Crop year beginning Aug. 1	Wholesale prices of a quantity of unbleached cotton cloth [1] made from 1 pound of lint cotton	Raw cotton costs per pound [2]	Gross manufacturing margin per pound lint cotton	Percentages of raw cotton costs to prices of cloth [2]
	Cents	*Cents*	*Cents*	*Percent*
1925–26	36.48	20.45	16.03	56.06
1926–27	30.57	15.16	15.41	49.59
1927–28	34.55	20.33	14.22	58.84
1928–29	32.82	19.23	13.59	58.59
1929–30	29.70	16.52	13.18	55.62
1930–31	22.35	10.18	12.17	45.55
1931–32	15.69	6.26	9.43	39.90
1932–33	17.52	7.45	10.07	42.52
1933–34	29.13	15.18	13.95	52.11
1934–35	28.72	16.89	11.83	58.81
1935–36, August through December	28.48	15.76	12.72	55.34

[1] 17 constructions (6 print cloths; 3 sheetings; 4 drills; 2 ducks; 1 twill; and 1 sateen).
[2] Includes tax after 1932–33.

For a quantity of unbleached cotton cloth of 17 constructions made from 1 pound of lint cotton the price averaged 32.82 cents from August 1, 1925, to July 31, 1930. The cost of lint cotton during that period was 18.34 cents per pound, 55.88 percent of the price of cotton goods. For the 3 crop years from August 1, 1930, to July 31, 1933, the prices of a similar quantity of unbleached cotton goods averaged 18.52 cents, and the cost of lint cotton averaged 7.96 cents per pound, 42.98 percent of the price of cotton goods. From the effective date of the processing tax to the end of December 1935 prices of cotton goods averaged 28.78 cents, and the cost of lint cotton plus the processing tax averaged 15.94 cents, 55.39 percent of the price of cotton goods. The trend of manufacturing margins was generally downward from 1925–26 through February 1933, during which time they declined from 16.03 cents, per pound of lint cotton used, in the season of 1925–26 to 7.50 cents in February 1933. The average manufacturing margin for 1931–32 was 9.43 cents and for the first 6 months of 1932–33 the average was 8.53 cents. Beginning in May 1933 there was a sharp increase in manufacturing margins and in July 1933 reached 18.10 cents, the greatest spread between the cost of cotton and the price of cotton goods for the period for which manufacturing margins have been compiled. There was a slight decrease in August 1933 when the average mill margin was 17.97 cents.

For a period of 32 months from May 1933 to December 1935 the manufacturing margin averaged 13.03 cents, per pound of lint cotton used, as compared with a manufacturing margin of 10.55 cents for a period of 40 months from January 1930 to April 1933 when there was no processing tax on cotton.

A comparison of the mill margins for the 5-week period immediately prior to the invalidation of the processing tax and for the 5-week period immediately subsequent thereto is shown in table 41. As practically no business was transacted during the week ended January 10, 1936, the data covering that period are nominal. Mill margins for the 4-week period from January 17, 1936, to February 7, 1936, averaged 13.20 cents per pound of lint cotton as compared with 13.02 cents for the period from December 6, 1935, to January 3, 1936.

TABLE 41.—*Wholesale prices of unbleached cotton cloths, costs of lint cotton, and gross manufacturing margins, Dec. 6, 1935, to Feb. 7, 1936*

Week ended	Wholesale prices of unfinished cloth obtainable per pound of cotton	Raw cotton prices	Margin	Week ended	Wholesale prices of unfinished cloth obtainable per pound of cotton	Raw cotton prices	Margin
	Cents	*Cents*	*Cents*		*Cents*	*Cents*	*Cents*
Dec. 6, 1935	29.27	16.49	12.78	Jan. 10, 1936	27.37	12.04	15.33
Dec. 13, 1935	29.29	16.26	13.03	Jan. 17, 1936	25.51	12.16	13.35
Dec. 20, 1935	29.26	16.04	13.22	Jan. 24, 1936	25.31	12.25	13.06
Dec. 27, 1935	29.22	16.17	13.05	Jan. 31, 1936	25.27	12.19	13.08
Jan. 3, 1936	29.25	16.24	13.01	Feb 7. 1936	25.28	11.95	13.33
Average	29.26	16.24	13.02	Average	25.75	12.12	13.63

A comparison of the price of cloth, the cost of lint cotton, the cost of labor, and the operating margin for three periods is shown in table 42.

TABLE 42.—*Average price of cloth, and component costs for three periods compared*

	Averages			Percentages of prices of cloth		
	1925–26 [1] through 1929–30	1930–31 [1] through 1932–33	August 1933 [1] through December 1935	1925–26 [1] through 1929–30	1930–31 [1] through 1932–33	August 1933 [1] through December 1935
	Cents	*Cents*	*Cents*	*Percent*	*Percent*	*Percent*
Grey cloth price	32.82	18.52	28.78	100.00	100.00	100.00
Cost of cotton (including tax)	18.34	7.96	15.94	55.88	42.98	55.39
Gross margin	14.48	10.56	12.84	44.12	57.02	44.61
Cost of labor	7.43	5.32	7.26	22.64	28.73	25.23
Overhead and profit margin	7.05	5.24	5.58	21.48	28.29	19.38

[1] Period beginning Aug. 1.

ADDITIONS TO PRICES MADE BY PROCESSING TAXES

In the crop years of 1933–34, 1934–35, and 1935–36 the average prices received by producers per pound net weight of lint cotton were 10.7 cents, 13.0 cents, and 11.6 cents (preliminary estimate), the processing tax of 4.2 cents per pound representing 39.3 percent, 32.3 percent, and 36.2 percent of these prices, respectively. From the point of view of the consumer of textile fabrics, assuming that all of the processing tax was passed on to him, the percentage of tax

paid approximated 6 percent of the retail price of sheets, 5 percent of overalls, and 3 percent of the retail price of shirts. Upon this matter of the ultimate consumer, one leading trade paper has expressed this opinion:

> As a matter of fact, however, the ultimate consumer has never noticed the added cost of the processing tax. The converter and shirt manufacturer have noticed it because, according to their figuring, it has added from 35 cents to 55 cents to the price of a dozen shirts, and when hundreds of dozens of shirts are concerned, this mounts up. To the consumer, however, the addition of a very few cents to the retail price of his shirt will not deter him from buying a shirt or shirts when they are needed.

PROTECTION TO PROCESSORS BY TAX REFUNDS AND BY COMPENSATORY TAXES

In the tax sections of the Agricultural Adjustment Act several provisions were made to prevent the processing tax from seriously curtailing the consumption of cotton. The act directed that suspension of the tax or refunds of the tax on cotton be made if the Secretary of Agriculture found that any cotton (basic agricultural) product was of such low value, considering the quantity of cotton (the commodity) used in its manufacture, that the payment of the tax would prevent in whole or in large part the use of cotton (the commodity) in the manufacture of such low-value products. In accordance with the direction of the act, by appropriate certificate from the Secretary of Agriculture to the Secretary of the Treasury, the processing tax on cotton was refunded on and after June 12, 1934, with respect to large-sized cotton bags, and on January 5, 1936, appropriate certificates for processing-tax refunds with respect to cotton used as a filling material and with respect to cotton used for calking were pending.

As a further measure of protecting the position of cotton the Agricultural Adjustment Act directed that if the processing tax caused or would cause excessive shifts to competing commodities compensatory taxes become effective on the processing of the competing commodities. Compensatory processing taxes were in effect from December 1, 1933, to January 6, 1936, on the manufacturing of paper and jute into certain products as articles in competition with cotton. Numerous studies were conducted with respect to commodities other than paper and jute, particularly rayon, silk, and wool, but no findings were made that the payment of the processing tax caused excessive shifts from cotton to such other commodities.

EFFECT OF COURT INJUNCTIONS ON THE COLLECTION OF TAXES AND ON THE DISTRIBUTION OF MERCHANDISE

On the basis of the quantity of cotton consumed it has been estimated that the amount of the cotton processing taxes due and paid, or due and payable, into the United States Treasury without allowance for permitted delays and excluding import compensatory taxes and floor stocks taxes from August 1, 1933, to June 30, 1935, was $196,320,000. The amount collected during that period from the processing tax on cotton was $178,967,000, 91 percent of the tax due and payable. On July 16, 1935, the United States Circuit Court of Appeals at Boston, Mass., held unconstitutional the proc-

essing taxes on cotton imposed under the Agricultural Adjustment Act. Thereafter, cotton processors to a great extent adopted a policy of not paying processing taxes into the United States Treasury but obtained injunctions to prevent any further collections of such taxes. Where injunctions were granted, sums due were deposited in escrow pending final decision by the United States Supreme Court.

As a result of the practice of processors obtaining injunctions the processing tax from cotton paid into the United States Treasury decreased more than five-sixths from June to July 1935 and continued in approximately such reduced proportions during the remainder of the year. Whereas, revenues from processing taxes from August 1, 1933, to June 30, 1935, on cotton averaged $8,135,000 per month, from July 1 to December 31, 1935, the average was only about $638,000 (table 43). It has been estimated that as a result of injunction proceedings taxes outstanding due and payable to the United States Treasury on December 31, 1935, on the processing of cotton approximated $50,000,000.

TABLE 43.—*Cotton processing tax collections, by months, 1933–35*

Month	1933	1934	1935
	Thous. of dols.	*Thous. of dols.*	*Thous. of dols.*
January		11,995.0	8,874.2
February		8,115.4	7,420.1
March		9,081.0	8,414.2
April		8,725.9	8,799.1
May		11,570.5	8,413.9
June		9,756.9	3,866.7
July		9,965.2	621.5
August		7,853.3	573.2
September	869.9	7,285.2	643.7
October	5,714.9	7,833.6	790.8
November	5,343.7	6,294.9	622.4
December	14,540.0	8,233.1	578.8
Total	26,468.5	106,710.0	49,618.6
Monthly average	6,617.1	8,892.5	4,134.9

Great confusion existed in cotton-cloth markets as a result of the decision given by the Circuit Court of Appeals. Mills, especially those of the print-cloth group, discontinued the use of all contract clauses containing any reference to tax coverage. Buyers were reported to have refused to purchase in large volume on such a basis and a deadlock existed. As sales of goods slackened and inventories accumulated, it soon became apparent that some basis for trading had to be reached. One large producer of cotton goods, acting independently, announced that on goods purchased on and after July 26, 1935—

> It is understood that the price of this contract includes the processing tax. If and when final and competent authority relieves the seller of liability for this tax, the buyer will be reimbursed accordingly.

Another producer adopted practically the same clause, as follows:

> The price of this contract includes the cotton-processing tax. If and when official and competent authority relieves the seller of payment of this tax and (or) refunds any tax paid on the merchandise covered by this contract, the buyer will be reimbursed accordingly, less a reasonable expense of procuring such relief.

Eventually, the sellers of gray goods agreed with buyers to adjust prices on any undelivered portions of contracts if processing taxes were amended, increased, decreased, or terminated. They also agreed to protect buyers with respect to any portion of contracts as to which title had passed within 120 days for converters, 90 days for wholesalers, and 30 days for retailers. After this agreement had been made the sales of goods increased. Cotton consumption for 5 months, August 1935 through December 1935, was 2,415,888 bales, compared with 2,134,094 for corresponding period for 1934, and 2,415,210 bales for 1933. There was also an increase in gross manufacturing margins for mills during that period. These margins from August 1, 1935, through December 1935 were:

	Cents		*Cents*
August	11.61	November	12.77
September	12.87	December	13.00
October	13.31		

EFFECT OF THE SUPREME COURT DECISION OF JANUARY 6, 1936

Invalidation on January 6, 1936, of the processing tax by the Supreme Court caused severe restrictions in the activities of the cotton-goods market. Prices were reduced quickly and sharply for most medium and coarse-count cotton goods. Some groups of manufacturers and distributors of gray goods were reported to have tried concertedly to maintain prices, but despite this prices declined by an amount approximately equivalent to the processing tax. A study of cotton-goods prices of 28 constructions (10 print cloths; 2 osnaburgs; 3 carded broadcloths; 13 sheetings) shows an average price decline of 4.70 cents per pound from January 4, 1936, to January 31, 1936 (table 44). During this period the price of lint cotton decreased only approximately one-half cent per pound.

TABLE 44.—*Comparative prices of 28 constructions of cotton goods as of January 4 and January 31, 1936*

Type of cotton goods	Average prices Jan. 4, 1936	Average prices Jan. 31, 1936	Decline
	Cents per pound	*Cents per pound*	*Cents per pound*
10 print cloths	34.91	30.31	4.60
2 osnaburgs	26.35	21.66	4.69
3 carded broadcloths	36.55	32.47	4.08
13 sheetings	30.37	25.45	4.92
Average	32.37	27.67	4.70

X. THE PROPOSED 1936 PROGRAM FOR COTTON

During the time through which the program to be offered to cotton growers for 1936 was being developed, the current price of cotton was about 70 percent of parity. The price of cotton has not reached the parity level in any month since the passage of the Agricultural Adjustment Act. The supply of cotton for the 1935–36 season was estimated at 19,743,000 bales. This was above the average for the 15-year period 1920–21 to 1935–36, and unless the consump-

tion during the 1935–36 season should exceed the average for that 15-year period, the prospects were that the carry-over on August 1, 1936, would be from 3 million to 4 million bales above normal. The carry-over of 9,009,000 bales on August 1, 1935, was approximately 3 million bales greater than the 10-year average, 1923–24 to 1932–33.

Farmers' need for cash, the large supply of available labor, less stringent credit conditions, and the improved price of cotton were prevailing factors which would tend to encourage greatly increased production of cotton in 1936. The prospects for domestic and foreign consumption of American cotton were such that without restriction of production in 1936 the supply for the 1936–37 season would undoubtedly be greater than the supply for the 1935–36 season, and the price to producers correspondingly decreased.

During 1935, approximately 1,300,000 cotton acreage-reduction contracts signed in 1934 and 1935 were in effect.

In the latter part of 1935, numerous conferences were held with local and State administrative officers and with producers, in an effort to develop for 1936 a program that would best meet the needs of cotton producers. Representatives of the growers in each cotton-producing State attended several conferences in Washington, and assisted in the development of the proposed program.

Research was carried on for several months in developing a basis for selection of an equitable base period and for the distribution of payments and other features of the program.

At a public hearing in Memphis, Tenn., October 11 and 12, 1935, representatives of all groups affected by the cotton program were given opportunity to express their views. The majority expressed the desire that a cotton program be developed for 1936 and succeeding years.

PROPOSED 1936–39 PROGRAM ANNOUNCED DECEMBER 3, 1935

The proposed cotton-adjustment program for 1936–39 was announced by the Secretary of Agriculture on December 3, 1935. It was anticipated that as a result of this program the 1936 production would be held to such a level that the carry-over on August 1, 1937, would be further reduced and that the supply of cotton would gradually be brought into balance with demand.

The program that was proposed followed the principles of adjustment embodied in the 1934 and 1935 cotton acreage-reduction contract. A number of important changes were made, however, in order to simplify and make more flexible the provisions of the program, to allow for decentralization of administration, to increase growers' responsibility, and to eliminate inequities revealed through operation of the program in the preceding years.

The contract that it was proposed to offer would have covered the years 1936 to 1939, inclusive, with provisions permitting a contract signer to terminate his contract at the end of any contract year, and authorizing the Secretary of Agriculture to suspend or terminate all contracts at the end of any contract year if conditions at that time did not justify their continuation throughout the succeeding year or throughout the balance of the contract period.

The contracting producer was to have had the privilege of adjusting his acreage in 1936 from 30 to 45 percent below his base acreage, with adjustment in succeeding years to be determined by the Secretary, according to the conditions indicated for those years.

The rate of payment in 1936 was to have been not less than 5 cents per pound upon the average yield of lint cotton from the land withheld from the production of cotton under contract. Only one payment was to have been made in 1936, and this was to have been by check payable to the persons entitled to share in the cotton crop of the proceeds thereof. The contract provided that the persons entitled to share in the payment might name a joint payee, in which case the check would be drawn payable jointly to each interested person and to the designated joint payee. The 1936 contract provided furthermore that the contract signer should name a beneficiary to receive any payment due him in case of his death, disappearance, or incompetency.

PROVIDED NATIONAL BASE ACREAGE OF 44.5 MILLION ACRES

The program provided for a national base acreage quota of 44,500,000 acres and a national base production quota of approximately 16,000,000 bales, both quotas to be allocated among cotton-growing States in about the same proportion as the base acreage and production were allocated in 1935. Each cotton-growing State was to have been privileged to select a base period upon which to allocate its quota of acreage and production among its cotton producers. This provision was designed to permit acreage and production to be apportioned among producers in each State in the most equitable manner possible. Another provision was that any payments due on a farm where two or more persons were interested should be divided among these persons on the basis of 37.5 percent to the person furnishing the land, 12.5 percent to the person furnishing the work stock and equipment, and 50 percent to be divided in the proportion in which the cotton or the proceeds from it were to be divided among the interested persons.

It was expected that between 80 and 90 percent of all cotton producers would participate in the 1936 cotton-adjustment program, and that the total adjustment they would make would average between 33 and 35 percent of their base acreage. It was anticipated that such an adjustment by contract signers would result in the planting in 1936 of an acreage that would effect the purpose of the Agricultural Adjustment Act in approaching a balance between production and consumption, at a rate as rapid as possible.

XI. SUPREME COURT DECISION TERMINATED PRODUCTION CONTROL THROUGH CONTRACTS

The production-control contract program which had been formulated for cotton was not put into effect because of the decision of the Supreme Court in the Hoosac Mills case on January 6, 1936. The Bankhead Cotton Act enacted April 21, 1934, as an auxiliary aid to the success of the contract program, was repealed on February 10,

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1936, except section 24, relating to new and extended uses for cotton. The commodity loans for cotton were not affected by the Hoosac Mills decision. In the Supplemental Appropriation Act, fiscal year 1936, approved February 11, 1936, Public No. 440, Congress authorized the carrying out of the original 1935 cotton price adjustment plan (formulated as a surplus-removal measure under section 32 of the act of Aug. 24, 1935, Public No. 320), after eliminating provisions requiring the cooperation of producers in a 1936 production-control program. The same appropriation act also provided for payments with certain limitations to cotton ginners for additional expenses incurred by ginners beginning June 1, 1935, through the administration of the Bankhead Cotton Act. A plan based on section 32, to extend the use of cotton for mats in covering concrete roads and structures and for membranes in bituminous-surfaced roads, was placed in operation in March 1936.

CHAPTER 11

WHEAT

SALIENT FACTS ABOUT WHEAT ADJUSTMENT

1. United States wheat production:	
In 1932 ---------- bushels	746, 000, 000
In 1933 ---------- do	529, 000, 000
In 1934 ---------- do	497, 000, 000
In 1935 ---------- do	603, 000, 000
2. United States July 1 wheat carry-over:	
Approximate average 1919–29 ---------- do	124, 000, 000
July 1, 1932 ---------- do	385, 000, 000
July 1, 1933 ---------- do	393, 000, 000
July 1, 1934 ---------- do	286, 000, 000
July 1, 1935 ---------- do	152, 000, 000
Prospective July 1, 1936 ---------- do	136, 000, 000
3. Farm price of wheat:	
For season 1932–33 ---------- cents per bushel	37. 9
For season 1933–34 ---------- do	74. 1
For season 1934–35 ---------- do	84. 7
Des. 15, 1935 ---------- do	90. 1
4. Farm price below parity price:	
On Dec. 15, 1932 ---------- cents	71
On Dec. 15, 1935 ---------- do	21
5. Adjustment payments:	
On 1933 crop ----------	$98, 600, 000
On 1934 crop ----------	$101, 600, 000
On 1935 crop ----------	$115, 600, 000
6. Returns from wheat production:	
Cash income from wheat in 1932 crop year ----------	$196, 000, 000
Cash income from wheat plus adjustment payments for 1933 crop year ----------	$374, 000, 000
Cash income from wheat plus adjustment payments for 1934 crop year ----------	$391, 000, 000
Cash income from wheat plus adjustment payments for 1935 crop year ----------	$481, 000, 000
7. Number of wheat allotment contracts approved ----------	579, 418
8. Estimated reduction by contract signers:	
For 1934 ---------- acres	12, 000, 000
For 1935 ---------- do	10, 000, 000
9. Exports:	
5-year average, 1928–29 to 1932–33, inclusive ---------- bushels	110, 000, 000
For 1933–34 ---------- do	26, 000, 000
For 1934–35 (net import) ---------- do	4, 000, 000
For 1935–36 (estimated net import) ---------- do	35, 000, 000

The 3-year wheat-adjustment program undertaken in 1933 was completed in 1935. As a successor to this program, a 4-year program was formulated toward the close of 1935 and was being put into effect when production-control programs under the Agricultural

Adjustment Act were terminated following the decision of the United States Supreme Court in the Hoosac Mills case.

During the period (1933-35) in which wheat-adjustment measures were in effect, the situation for wheat producers improved materially. Price-depressing surpluses were reduced. The farm price of wheat and the cash income from wheat production increased.

During this period, the United States experienced one of the worst droughts in its history. Provisions of the wheat program were modified greatly to meet or alleviate drought conditions. Much of the reduction in the surplus, therefore, may be accounted for by the drought, although if weather conditions had been normal a larger reduction in acreage would have been provided for by the program.

There is a sharp contrast between the wheat situation of 1932 and that of 1935. Cash income from wheat production in 1932 totaled 196 million dollars, a drastic decline from that of 1929, which totaled 692 million dollars. Wheat prices at Chicago in 1931 and 1932 were the lowest since 1866, the earliest year for which records are available. The average farm price dropped from 67 cents per bushel for the crop year 1930-31 to 39 cents in 1931-32 and 38 cents in 1932-33.

Continued production above the combined outlets of domestic requirements and actual exports had piled up an enormous surplus. Carry-over of wheat in the United States reached an all-time high on July 1, 1933. Acreage that had been expanded during the World War to supply large export outlets had continued in production after export requirements declined. The United States net exports of wheat, including flour, declined from 313 million bushels in the crop year 1920-21 to 32 million bushels in 1932-33, while growers continued to seed about 66 million acres annually. Excess production from this large acreage accumulated as surplus.

WHEAT PRICES HIGHER SINCE 1933

Since 1933 the improvement in the United States wheat situation has been reflected in higher prices, which resulted from lowered production, reduced surpluses, dollar devaluation, and other factors.

The average farm price of 90 cents a bushel on December 15, 1935, was more than double the average farm price of 38 cents a bushel in 1932-33. The average farm price for 1933-34 was 74 cents a bushel, for 1934-35 it was 84.7 cents a bushel, and for 1935-36 the preliminary estimate is 83.8 cents a bushel.

Wheat acreage in 1933 totaled 67 million. No reduction in acreage by contract signers was required that year because the wheat program was formulated only after the 1933 crop was near maturity. Acreage in 1934 dropped to 60 million, but in 1935, because of the modification of planting restrictions and increase in plantings by noncontracting farmers, acreage again was more than 66 million.

Production in all 3 years, however, was below normal because of lower yields and the heavy abandonment due to drought and other damage. As compared with an average production of 860 million bushels in 1928-32, production in 1933 was 529 million bushels. Production dropped to 497 million bushels in 1934 and then increased to 603 million bushels in 1935.

These crops were below the average annual domestic requirements of 625 million bushels. The carry-over was reduced from the high point of 393 million bushels in 1933 to 286 million bushels in 1934 and to 152 million bushels in 1935.

The basic improvement in the situation has been reflected in a steady increase in the cash income of producers from their wheat. Cash income from the 1935 crop, including adjustment payments, is estimated at 485 million dollars, the highest since 1929. Of this total 115 million dollars is represented by adjustment payments. The 1934 cash income was 391 million dollars, including approximately 101 million dollars in adjustment payments. In 1933 the income had been 374 million dollars, with adjustment payments of about 99 million dollars, as compared with 196 million dollars in 1932.

The gains which wheat farmers have made since 1932 have coincided with the formulation and operation of the wheat-adjustment program under the Agricultural Adjustment Act. The main features of this program for each of the 3 crop years for which it was in effect are given on the pages which follow. (See table 45.)

TABLE 45.—*Wheat-adjustment program, number of contracts and acreage under contract, base production of contract signers, and adjustment payments by States, 1933 to 1935*

State	Farms growing wheat in 1929 [1]	Number contracts approved [2]	Acreage seeded by all growers 1930–32 [3]	Percent of average acreage under contract	Base acreage of contract signers, average 1930–32 [4]	Base production of contract signers, average 1928–32 [5]	Estimated amount of adjustment payments [6]		
							1933	1934	1935
			1,000 acres	*Percent*	*1,000 acres*	*1,000 bushels*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Alabama	----------	----------	4	----------	----------	----------	--------	--------	--------
Arizona	960	114	28	22	6	141	21	22	25
Arkansas	1,048	41	30	6	2	18	3	3	3
California	5,098	2,241	677	65	442	8,170	1,196	1,280	1,457
Colorado	18,856	11,863	1,755	84	1,467	14,316	2,142	2,242	2,552
Connecticut	51	----------	----------	----------	----------	----------	--------	--------	--------
Delaware	4,127	686	94	39	37	711	110	111	127
Florida	----------	----------	----------	----------	----------	----------	--------	--------	--------
Georgia	10,064	31	52	7	4	55	8	9	10
Idaho	23,318	14,779	1,142	86	981	22,569	3,399	3,534	4,023
Illinois	66,836	23,982	1,971	51	1,002	17,242	2,492	2,700	3,074
Indiana	65,187	24,041	1,652	45	747	12,768	1,882	1,999	2,276
Iowa	18,998	3,700	369	39	144	3,226	431	505	575
Kansas	88,320	94,061	13,516	89	12,101	157,983	24,398	24,740	28,154
Kentucky	12,553	3,970	259	54	139	1,730	249	271	308
Louisiana	5	----------	----------	----------	----------	----------	--------	--------	--------
Maine	554	----------	2	----------	----------	----------	--------	--------	--------
Maryland	19,378	7,741	439	66	290	5,308	796	831	946
Massachusetts	38	----------	----------	----------	----------	----------	--------	--------	--------
Michigan	63,581	13,981	719	34	245	5,631	828	882	1,004
Minnesota	55,752	21,729	1,368	62	842	12,474	1,850	1,953	2,224
Mississippi	12	----------	----------	----------	----------	----------	--------	--------	--------
Missouri	50,166	16,149	1,536	45	697	10,828	1,534	1,696	1,931
Montana	29,143	39,114	4,446	94	4,321	42,050	6.331	6,585	7,494
Nebraska	54,949	34,038	3,674	72	2,643	40,142	5,944	6,286	7,154
Nevada	858	303	15	57	9	207	30	32	37
New Hampshire	10	----------	----------	----------	----------	----------	--------	--------	--------

[1] Bureau of the Census, 1930.
[2] From records of Division of Grains, Agricultural Adjustment Administration.
[3] Official estimates of the Bureau of Agricultural Economics.
[4] Some counties and individuals in numerous counties used 4- and 5-year bases which are included in these figures. The estimated contracted acreages, or adjusted acreages, by States, for 1934 were 15 percent of these totals, and those for 1935 were 10 percent. There were no contracted acres in 1933.
[5] Base production on contracts adjusted to the 5-year base, 1928–32.
[6] Estimated payments at 29 cents per bushel on 54 percent of the base production for the 1933 and 1934 crops, and at 33 cents per bushel for the 1935 crop. Totals include local administrative costs.

TABLE 45.—*Wheat-adjustment program*—Continued.

State	Farms growing wheat in 1929	Number contracts approved	Acreage seeded by all growers 1930–32	Percent of average acreage under contract	Base acreage of contract signers, average 1930–32	Base production of contract signers, average 1928–32	Estimated amount of adjustment payments		
							1933	1934	1935
			1,000 acres	*Percent*	*1,000 acres*	*1,000 bushels*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
New Jersey	4,836	192	51	7	4	78	11	12	14
New Mexico	6,922	1,684	480	81	386	3,290	497	515	587
New York	24,931	589	220	6	12	295	44	46	53
North Carolina	49,070	1,058	334	6	22	350	53	55	62
North Dakota	68,689	104,326	10,368	94	9,929	95,684	14,677	14,985	17,053
Ohio	97,387	23,854	1,745	35	613	11,214	1,718	1,756	1,999
Oklahoma	38,688	29,066	4,533	78	3,536	44,538	6,840	6,974	7,938
Oregon	15,657	7,078	1,027	82	847	17,290	2,662	2,708	3,082
Pennsylvania	84,496	3,418	955	9	90	1,673	254	262	298
Rhode Island	4								
South Carolina	14,063		57						
South Dakota	41,300	49,590	3,895	90	3,518	33,634	5,127	5,267	5,995
Tennessee	21,804	2,273	249	29	71	877	128	137	156
Texas	23,058	14,423	4,346	85	3,674	35,068	5,422	5,492	6,250
Utah	13,038	5,627	272	76	206	4,388	660	687	782
Vermont	170								
Virginia	59,390	7,648	601	35	210	3,641	539	570	649
Washington	14,690	11,490	2,471	78	1,938	37,276	5,802	5,837	6,644
West Virginia	9,999	972	113	28	32	508	76	80	91
Wisconsin	24,072	1,203	101	14	14	267	39	42	48
Wyoming	5,965	2,363	360	69	248	2,945	407	461	525
Total	1,208,091	579,418	65,926	78	51,469	648,585	98,600	101,600	115,600

I. ADMINISTRATION OF THE PROGRAMS

1933 PROGRAM

Acres seeded	67,000,000
Acres harvested	47,910,000
Production ... bushels	529,000,000
Yield per harvested acre ... do	11.0
Percent abandonment	28.5
Acres under contract	51,469,000
Percent total base acreage	78.0
Percent reduction required	None
Acres retired under contract	None
Average farm price (cents per bushel)	74
Adjustment payment (cents per bushel)	29
Income from crop	$275,360,000
Income from payments	$98,600,000
Total income	$373,960,000
Processing tax (cents per bushel)	30
Processing and floor stocks tax collections, July 9, 1933, to June 30, 1934	$117,621,175

After the passage of the Agricultural Adjustment Act in 1933, the wheat-adjustment program was formulated after conferences with farm organizations and representatives of the elevator, grain, and baking trades. The object of the program was to make it possible for farmers to adjust their production to meet actual domestic and foreign demand, rather than to continue producing for vanished markets.

The essential features of this program as adopted were: (1) That the return on the domestically consumed proportion of the crop should have a parity purchasing power equivalent to that in the

1909–14 pre-war period. (It was estimated that domestic human consumption amounted to 54 percent of the average production in the base period 1928–32); (2) provision that each cooperating grower should plant at least 54 percent of his base acreage; (3) agreement of cooperating growers to regulate seedings within limits determined by the Secretary of Agriculture designed to provide for domestic needs, adequate reserves, and any likely export demands; (4) financing of the program through a processing tax on wheat milled for domestic consumption; (5) voluntary acceptance of the plan by farmers; (6) adjustment payments made to cooperating farmers independent of the market proceeds from the sale of their crop, thus providing partial crop-income insurance; (7) decentralized administration through county and district wheat associations; (8) coordination of the domestic program so far as possible with the international wheat agreement.

The adjustment contract through which the wheat program was made effective was for the 3 years 1933, 1934, and 1935. The 1933 crop was approaching maturity when the program was finally formulated, and it was apparent that production had already been reduced by drought. In view of this situation no acreage reduction for 1933 was required under the contract. However, it was decided to make adjustment payments to producers, conditioned upon their compliance with the contract's reduction requirements for 1934 and 1935. This added to the income of cooperating producers and provided partial crop-income insurance to farmers whose crops were damaged or destroyed by drought.

Farmers seeded approximately 67 million acres for the 1933 crop, but drought caused the unusually high abandonment of 28 percent of the acreage, and slightly fewer than 48 million acres were harvested. Production of wheat was 529 million bushels, nearly 100 million bushels less than the normal domestic requirements of 625 million bushels. For the previous 5 years the average production had been 860 million bushels.

Since the crop was less than the domestic requirements, the carryover was reduced from 393 million bushels on July 1, 1933, to 286 million bushels the following year.

Wheat farmers overwhelmingly accepted the plan as it was finally drafted. Approximately 579,000 contracts were signed in the signup campaign. This number remained substantially the same for the 3 years of the program, except for slight variations because of cancelations or additions. The average total acreage planted to wheat by the contracting signers in the 5-year base period, 1928–32, was 51,469,000 acres or approximately 78 percent of the total average acreage of wheat seeded by all farmers during that period.

The adjustment payments on the 1933 wheat crop were set at not less than 28 cents a bushel on each farmer's domestic allotment, which was equivalent to 54 percent of his base production. These payments were intended to make up as much as possible of the difference between the actual average price received by farmers and the parity price. The rate of payment was subsequently increased to 29 cents a bushel. Total payments for the 1933 crop were approximately

$98,600,000 and this sum, added to a crop income of $275,360,000, gave producers a total cash income for the crop year of $373,960,000.

The processing tax on wheat milled for flour for domestic use was established at 30 cents a bushel. This was approximately the difference between the average farm price and the parity price on June 15, 1933. Processing-tax collections averaged approximately 10 million dollars a month. For the period from July 9, 1933, the date on which the tax was imposed, until June 30, 1934, collections of floor stocks and processing taxes totaled $117,621,175.

Wheat contract signers in 1,758 counties in 37 States organized 1,379 county and district wheat production-control associations to administer the local features of the program. The number of associations varied slightly from year to year because of consolidations and other changes. These associations elected officers from their own membership and the officers and county allotment committeemen performed most of the duties in connection with the local administration of the program.

1934 PROGRAM

Acres seeded	60, 371, 000
Acres harvested	42, 249, 000
Production, bushels	496, 929, 000
Yield per harvested acre, bushels	11. 8
Percent abandonment	30. 0
Acres under contract	51, 469, 000
Percent acreage reduction required	15. 0
Contracted acreage, acres	7, 720, 000
Average farm price, cents per bushel	84. 7
Adjustment payments, cents per bushel	29
Income from crop	$289, 169, 000
Adjustment payments	$101, 600, 000
Total cash income	$390, 769, 000
Processing tax, cents per bushel	30
Processing-tax collections, fiscal year 1934–35	$123, 860, 932

All phases of the wheat-adjustment program became operative in 1934. The year was marked by: (1) Actual reduction in wheat acreage, (2) adaptation of the program to meet the exceptional drought conditions, (3) continued increase in the cash income of farmers, (4) further demonstration of the crop-income insurance features of the program, and (5) the undertaking and completion of a compliance program by farmers themselves, proving the feasibility of decentralized administration of such a widespread program.

An acreage reduction of 15 percent under the average base acreage of the cooperating growers was provided for in the program for 1934. All wheat seeded for the 1934 crop totaled 60,371,000 acres and production totaled 497 million bushels. The crop, drastically reduced by drought, was the smallest since 1896. The 1934 wheat crop was 364 million bushels less than the average production for the 1928–32 base period. It is estimated that about 50 million bushels of this reduction was due to the wheat program and that the remaining reduction of 314 million bushels was due to the drought.

While cooperating producers were required to reduce their seedings by at least 15 percent, it is estimated that they actually seeded 23 percent less wheat than during the base period. The reduction

for the country as a whole was 8.5 percent from the average for 1930–32. A part of the reductions made by cooperating farmers was offset by increase in plantings of noncooperators.

The estimated reduction of 23 percent by contract signers was equivalent to about 12 million acres.

When the drought, early in 1934, assumed widespread proportions, with consequent reduction in livestock feed supplies, the contract provisions regarding the use of land held out of wheat production were withdrawn. Most of the land was planted to forage and feed crops and the acreage-reduction program thus proved a benefit by making available a greater supply of feedstuffs.

The total cash income of wheat producers from their wheat increased over income in 1933, although individual farmers experiencing crop failure suffered heavy losses. Increased prices of wheat were chiefly responsible for this, as the adjustment payments, at 29 cents a bushel on allotments, remained practically the same. With an average farm price of 84.7 cents a bushel, the farm cash income from wheat for the 1934 crop year was estimated at $289,169,000. Adjustment payments totaled $101,600,000, giving wheat farmers a total cash income from the crop of $390,769,000.

One of the most important features of the 1934 administration of the wheat program was the formulation and completion of the compliance program. This was the immense task of checking the compliance of individual farmers with the terms of the contract. This task was done by the farmers through their county wheat-allotment committees. Each county committee checked and certified the compliance of the cooperating farmers in its own county. Cooperating farmers and other local people in each county were named as supervisors to measure fields. The measurements were subject to sample checking surveys by trained surveyors, but the major work was done by cooperating farmers. The experience in 1934 with compliance set the pattern for similar action in 1935.

Adjustment payments to cooperating farmers, under the terms of their contracts, were made upon the basis of the compliance certificates signed by local committeemen.

The drought served as an effective brake on production, but at the same time brought hardship to many farmers who had no crops to sell. To these farmers the crop-income insurance feature of the wheat program proved especially helpful. In many instances, allotment payments constituted the principal source of income for farmers in the worst drought area.

Processing-tax collections for the fiscal year 1934–35 totaled $123,860,932.

1935 PROGRAM

Acres seeded, approximately	66, 000, 000
Acres harvested	49, 826, 000
Production, bushels	603, 000, 000
Yield per harvested acre, bushels	12. 1
Acres under contract	51, 469, 000
Percentage acreage reduction required	10
Contracted acreage, acres	5, 147, 000
Average farm price, cents per bushel, Dec. 15, 1935	90. 1
Adjustment payment, cents per bushel	33. 0
Income from crop	$370, 000, 000

Adjustment payments	$115,600,000
Total cash income	$481,000,000
Processing tax, cents per bushel	30.0
Processing-tax collections, July 1, 1935, to Dec. 31, 1935	$9,146,782

The outstanding development in connection with the 1935 crop was the severe outbreak of black stem rust in the spring-wheat area in July, which during that month alone, reduced the prospective crop by more than 100 million bushels.

The percentage of acreage reduction for the 1935 crop was set at 10 percent in the fall of 1934 and cooperating winter-wheat farmers made their plantings upon that basis. Drought and dust storms during the winter, however, indicated that a heavy abandonment of winter-wheat acreage had taken place, and on March 20, 1935, the Adjustment Administration announced the modification of the 10 percent planting restriction. Growers under contract were permitted to plant up to 165 percent of their base acreage for 1935 under the terms of a supplementary agreement in which the farmer agreed to make corresponding reductions in his plantings for the 1936 crop. The action affected mainly the spring-wheat areas, although some winter-wheat farmers who had planted additional acreage for pasture under a system of permits were permitted to let this wheat mature as grain.

The acreage planted to all wheat for the 1935 crop was about 66 million acres.

Although the planting restrictions were modified, a large part of the increase over the 60,371,000 acres seeded in 1934 was due to increase in the plantings of noncooperating farmers. Only about 400,000 acres were seeded under the supplementary agreements. Of the annual average of 51,469,000 acres of wheat land planted by cooperating farmers in the base period, about 41,600,000 acres were seeded for the 1935 crop. Noncooperating farmers planted an acreage of about 24,600,000 acres as compared with about 14,500,000 acres during the base period. This represents an increase in plantings by noncooperators, of approximately 70 percent over their plantings during the base period, and an actual reduction of 19.2 percent on the part of contract signers.

Table 46 shows estimated seedings by signers and nonsigners for the 1935 crop as compared with previous years.

TABLE 46.—*All wheat: Seedings by signers and nonsigners, United States, 1930–32, 1933, 1934, and 1935* [1]

	Base acreage, 1930–32	1933	1934	1935
	1,000 acres	*1,000 acres*	*1,000 acres*	*1,000 acres*
Signers	51,468	50,965	[2] 39,600	[3] 41,600
Nonsigners	14,458	16,004	20,771	24,600
Total	65,926	66,969	60,371	66,200

[1] Estimated from records of the Division of Grains, Agricultural Adjustment Administration.
[2] Estimated on assumption that net reduction of signers was 23 percent as compared with 19 percent for the 1935 crop.
[3] Calculated from compliance certificates.

Wheat production for 1935 totaled 603 million bushels, as compared with the previous year's production of 497 million bushels. This crop, with the carry-over on July 1 of 152 million bushels, gave supplies for the year of 755 million bushels. Average domestic requirements are 625 million bushels.

Farm prices for wheat have averaged somewhat higher for the first 7 months of the 1935–36 crop year, and it is estimated that this, along with the larger production of wheat, will increase the cash income of wheat farmers to about 481 million dollars as compared with 391 million dollars for the 1934 crop. Compared with an average farm price of 84.7 cents a bushel received for the 1934 crop, prices for the current season have averaged, by months, as follows (in cents per bushel): July, 76.4; August, 81.5; September, 86.2; October, 96.3; November, 88.7; December, 90.1; and January, 93.0.

On the basis of marketings and prices during the first half of the 1935–36 crop year, and assuming average feed and seed requirements, the cash income from the 1935 crop has been tentatively estimated at 366 million dollars. When adjustment payments of $115,600,000 are added to this, a total cash income of 485 million dollars results. This is the highest farm cash income from wheat since 1929, when it totaled 692 million dollars.

PLANS FOR A NEW PROGRAM

In anticipation of the completion of the 3-year program, a Nation-wide referendum was held among wheat producers on May 25, 1935, upon the following question:

> Are you in favor of a wheat production-adjustment program to follow the present one which expires with the 1935 crop year?

The referendum was preceded by a series of discussion meetings among farmers in all communities where wheat is grown in commercial quantities. The vote in the referendum was by secret ballot and was open both to farmers who had signed adjustment contracts and to bona fide producers who had not signed contracts but whose wheat-production operations made them eligible to sign contracts. The general features of the proposed new program were announced before the referendum.

Farmers in the referendum expressed overwhelming approval of having a new wheat-adjustment program. They voted nearly 7 to 1 in favor of such a program. A total of 466,720 farmers voted, and of these 404,417 voted in favor of continuing the program while 62,303 voted against such continuance. Of the 398,277 contracting farmers voting, 354,662 voted for continuance and 43,615 against. Nonsigners cast 68,443 votes of which 49,775 were in favor of continuance and 18,688 were against. The total vote in every State except New Jersey was favorable; in New Jersey only 130 votes were cast. Table 47 shows, by States, the vote of producers in the referendum.

TABLE 47.—*Final summary of ballots cast in national wheat referendum held May 25, 1935, as reported by State directors of extension*

State	All voters			Contract signers			Nonsigners		
	Total voting	Voting yes	Voting no	Total voting	Voting yes	Voting no	Total voting	Voting yes	Voting no
Arizona	107	80	27	59	51	8	48	29	19
Arkansas	44	41	3	35	32	3	9	9	0
California	2, 195	1, 762	433	1, 830	1, 493	337	365	269	96
Colorado	8, 236	7, 519	717	7, 015	6, 446	569	1, 221	1, 073	148
Delaware	492	442	50	429	403	26	63	39	24
Georgia	35	30	5	10	10	0	25	20	5
Idaho	10, 042	8, 848	1, 194	9, 365	8, 341	1, 024	677	507	170
Illinois	23, 706	21, 177	2, 529	19, 741	17, 783	1, 958	3, 965	3, 394	571
Indiana	29, 424	24, 276	5, 148	24. 548	20, 589	3, 959	4, 876	3, 687	1, 189
Iowa	3, 416	3, 017	399	3, 172	2, 816	356	244	201	43
Kansas	82, 059	71, 768	10, 291	73, 068	65, 516	7, 552	8, 991	6, 252	2, 739
Kentucky	4, 090	3, 804	286	3, 291	3, 066	225	799	738	61
Maryland	4, 927	4, 263	664	4, 495	4, 021	474	432	242	190
Michigan	10, 529	6, 904	3, 625	8, 961	6, 440	2, 521	1, 568	464	1, 104
Minnesota	21, 425	18, 456	2, 969	17, 179	15, 129	2, 050	4, 246	3, 327	919
Missouri	18, 913	15, 647	3, 266	14, 219	12, 244	1, 975	4, 694	3, 403	1, 291
Montana	21, 905	20, 587	1, 318	19, 510	18, 470	1, 040	2, 395	2, 117	278
Nebraska	36, 237	27, 831	8, 406	27, 632	22, 786	4, 846	8, 605	5, 045	3, 560
Nevada	274	218	56	214	177	37	60	41	19
New Jersey	130	58	72	128	57	71	2	1	1
New Mexico	1, 650	1, 552	98	1, 377	1, 304	73	273	248	25
New York	465	259	206	356	237	119	109	22	87
North Carolina	965	866	99	942	854	88	23	12	11
North Dakota	62, 588	60, 291	2, 297	56, 694	54, 789	1, 905	5, 894	5, 502	392
Ohio	20, 407	14, 688	5, 719	15, 875	12, 306	3, 569	4, 532	2, 382	2, 150
Oklahoma	23, 460	20, 363	3, 097	20, 901	18, 667	2, 234	2, 559	1, 696	863
Oregon	6, 201	5, 347	854	6, 111	5, 271	840	90	76	14
Pennsylvania	3, 894	2, 809	1, 085	2, 354	1, 995	359	1, 540	814	726
South Dakota	28, 201	24, 489	3, 712	23, 979	21, 305	2, 674	4, 222	3, 184	1, 038
Tennessee	1, 960	1, 667	293	1, 576	1, 316	260	384	351	33
Texas	15, 469	14, 712	757	13, 180	12, 690	490	2, 289	2, 022	267
Utah	4, 885	4, 460	425	4, 032	3, 717	315	853	743	110
Virginia	5, 697	4, 932	765	4, 514	4, 034	480	1, 183	898	285
Washington	8, 948	8, 284	664	8, 302	7, 722	580	646	562	84
West Virginia	664	469	195	519	384	135	145	85	60
Wisconsin	868	614	254	849	600	249	19	14	5
Wyoming	2, 212	1, 887	325	1, 815	1, 601	214	397	286	111
United States total	466, 720	404, 417	62, 303	398, 277	354, 662	43, 615	68, 443	49, 755	18, 688

Following the mandate of the referendum, representatives of producers were called to Washington on July 1 and 2, 1935, to study proposed changes in the program and the contract. As a result of these conferences, a new 4-year wheat adjustment program designed to cover the 4 years 1936–39, inclusive, was drafted.

The new contract differed from the original one chiefly in the following provisions: (1) A more specific provision for adjustment payments based on actual average farm prices of wheat during the marketing year, determined at the end of the year instead of the beginning; (2) a 4-year program instead of a 3-year program, but with option for growers to drop out of the plan at the end of 2 years if they wished to do so; maximum reduction of 25 percent instead of 20 percent from the total base acreage; (3) provision that changes in the division of adjustment payments resulting from changes of lease arrangements by landholders be approved by county allotment committees; and (4) a provision under which a signer could designate a beneficiary to receive adjustment payments in the case of death or disappearance of the signer.

Greater responsibility for county allotment committees and increased local participation in administration of the program were provided for.

After the new contract was drafted a sign-up campaign was undertaken, beginning in August with regional meetings of State agricultural extension and Agricultural Adjustment Administration workers. These were followed by State, county, and community meetings.

Each producer who planned to cooperate in the new program applied for a contract. These applications were the basis upon which the final contracts were to be written.

State grain boards were set up in the wheat States to check the total figures on acreage and production reported by each county and to make necessary adjustments among counties. These State grain boards were in the process of approving county applications preparatory to farmers signing the final contracts when the Supreme Court decision in the so-called Hoosac Mills case was handed down on January 6. Necessarily the work of the boards ceased at that time, as production-control programs under the Agricultural Adjustment Act were discontinued.

Preliminary estimates made shortly before the Hoosac Mills decision indicated that the sign-up in the 1936–39 wheat program would have brought under contract approximately 48 million acres, as compared with 51,469,000 acres under contract during the 1933–35 program. This drop in prospective contracted acreage was attributed to nonrenewal of contracts by small farmers and to the fact that improved prices for wheat, although still below parity, were sufficiently high to cause some farmers to withdraw from the program and plant more acreage than would have been permitted under the new contracts.

CONTRACT PROGRAM TERMINATED BY SUPREME COURT DECISION

As a result of the decision of the United States Supreme Court in the Hoosac Mills case on January 6, 1936, the production-adjustment contract program for wheat was discontinued. The decision did not invalidate the marketing agreement provisions of the act. The principal activities in wheat under the marketing agreement provisions have consisted of the removal of surplus wheat supplies from the Pacific Northwest, both to foreign markets and to interior points in the United States.

II. FINANCES OF THE WHEAT PROGRAMS

Under the wheat program as formulated in 1933 and as it was operated during the first 2 years, the funds collected in processing taxes on the milling of wheat into flour were more than the equivalent of the funds necessary to make adjustment payments to cooperating producers and to meet the administrative expenses of the program.

The processing tax of 30 cents a bushel became effective July 9, 1933, and collections averaged approximately 10 million dollars monthly for the first 2 years of the program. (See table 48.) The rate of 30 cents a bushel was based upon the difference between the average farm price and the parity price of wheat June 15, 1933. It approximated that difference during the greater part of the program.

TABLE 48.—*Average farm price of wheat, average parity price, average price of bread, gross collections of wheat processing and related taxes, and wheat-adjustment payments, by months, 1933 through 1935*

	Farm price	Parity price	Bread price	Collection of wheat processing tax	Benefit payments
1933	*Cents per bushel*	*Cents per bushel*	*Cents per pound*	*Dollars*	*Dollars*
January	32.9	90.2	6.4		
February	32.3	89.3	6.4		
March	43.5	88.4	6.4		
April	44.8	89.3	6.4		
May	59.0	90.2	6.5		
June	58.7	91.1	6.6		
July	86.9	94.6	7.2	383,088.26	
August	74.7	99.0	7.6	9,954,647.46	
September	71.1	102.5	7.7	9,184,558.38	
October	63.6	102.5	8.0	10,221,629.74	
November	71.1	102.5	8.0	9,159,802.98	2,294,292.28
December	67.3	102.5	7.9	9,822,762.59	16,102,502.22
1934					
January	69.4	103.4	7.9	13,271,949.28	26,921,925.62
February	72.0	105.2	7.9	10,097,795.60	14,316,496.31
March	70.9	106.1	7.9	13,547,043.49	5,997,512.38
April	68.7	106.1	8.0	9,346,225.87	1,984,757.73
May	69.5	107.0	8.0	11,612,749.22	755,939.63
June	78.9	107.0	8.1	11,018,921.95	592,007.00
July	78.8	107.8	8.2	9,971,254.36	568,995.13
August	89.6	110.5	8.3	9,822,827.26	971,165.88
September	92.2	111.4	8.4	9,055,061.72	2,125,504.90
October	88.5	111.4	8.4	11,857,860.33	36,038,458.36
November	88.1	111.4	8.3	11,556,558.31	25,688,436.55
December	90.6	111.4	8.3	11,443,912.83	12,391,959.88
1935					
January	89.3	111.4	8.3	10,934,157.15	6,478,846.11
February	87.9	112.3	8.3	9,967,995.26	5,397,161.41
March	85.5	112.3	8.3	10,130,719.56	3,818,894.73
April	90.2	112.3	8.3	11,243,209.52	1,147,291.29
May	87.8	112.3	8.4	10,414,531.86	2,877,272.64
June	77.3	112.3	8.3	7,462,844.07	719,188.61
July	76.4	111.4	8.3	3,006,188.22	895,977.06
August	81.5	110.5	8.3	1,281,090.77	12,351,274.45
September	86.2	[1] 111.4	8.3	1,459,359.38	23,561,998.69
October	96.3	[1] 111.4	8.3	1,281,442.03	18,550,385.08
November	88.7	[1] 111.4	8.5	1,167,104.84	27,641,499.32
December	90.1	[1] 111.4	8.6	951,597.14	5,434,926.11

[1] Includes tax and interest rates as provided in amendments of August 1935 to the Agricultural Adjustment Act.

Until June 1935 the collections from the wheat processing tax were more than sufficient to pay the way of the wheat program. From June 1935 until the end of that year, however, the lower courts granted injunctions to processors in increasing numbers, against the payment of the tax, pending the outcome in the Supreme Court of suits testing the constitutionality of the Agricultural Adjustment Act. Wheat processing taxes impounded by the courts as a result of these actions are estimated to amount to 67 million dollars. These funds were returned to the contesting processors after the decision of the Supreme Court in the "Rice millers' case" on January 13, 1936, and the court's subsequent denial of the Government's efforts to get a rehearing. This 67 million dollars of wheat processing taxes was included in the approximately 180 million dollars impounded under injunctions secured by all processors. Budget estimates based upon average tax collections and the making of adjustment payments to contract signers indicate that for the 3-year wheat program there would have been a surplus of approximately 30 million dollars. The ending of the collection of processing taxes and the loss of the

approximately 67 million dollars in impounded taxes through January 6, 1936, will, however, result in a deficit of approximately 86 million dollars for the 3-year program. This 86-million-dollar deficit does not include refunds due on floor stocks of flour held by processors, wholesalers, and retailers as of January 6, 1936.

Table 49 shows the financial status of the wheat program as of December 31, 1935:

TABLE 49.—*Financial status of the wheat adjustment program as of Dec. 31, 1935*

	Actual to Dec. 31, 1935	Fiscal year 1934	Fiscal year 1935
		Actual	Actual
Receipts (gross):			
Tax receipts	$250, 628, 889	$117, 621, 175	$123, 860, 932
Expenditures:			
Rental and benefit payments:			
1933 program	98, 650, 000	68, 965, 433	29, 684, 567
1934 program	97, 758, 737		68, 538, 609
1935 program	60, 363, 600		
Removal of surpluses	6, 097, 239	5, 009, 494	1, 087, 745
Refunds of taxes (charitable, etc.)	6, 063, 405	651, 365	4, 655, 644
Administrative expenses	7, 346, 718	2, 967, 113	2, 753, 643
Total	276, 279, 699	77, 593, 405	106, 720, 208
Surplus (+) Deficit (−)	−25, 650, 810	+40, 027, 770	+17, 140, 724
Percentage of administrative expenses to gross receipts percent	2. 93	2. 52	2. 22

	Fiscal year 1936			Grand total
	July 1, 1935, to Dec. 31, 1935	Jan. 1, 1936, to June 30, 1936	Total	
	Actual	Estimated		
Receipts (gross):				
Tax receipts	$9, 146, 782	$364, 403	$9, 511, 185	[1] $250, 993, 292
Expenditures:				
Rental and benefit payments:				
1933 program				98, 650, 000
1934 program	29, 220, 128	3, 841, 263	33, 061, 391	101, 600, 000
1935 program	60, 363, 600	55, 236, 400	115, 600, 000	115, 600, 000
Removal of surpluses		319, 000	319, 000	6, 416, 239
Refunds of taxes (charitable, etc.)	756, 396	55, 364	811, 760	[2] 6, 118, 769
Administrative expenses	1, 625, 962	1, 840, 454	3, 466, 416	9, 187, 172
Total	91, 966, 086	61, 292, 481	153, 258, 567	337, 572, 180
Surplus (+) Deficit (−)	−82, 819, 304	−60, 928, 078	−143, 747, 382	−86, 578, 888
Percentage of administrative expenses to gross receipts percent				

[1] Estimated tax collections through Jan. 6, 1936.
[2] This amount does not include refunds of floor stocks taxes. Floor stocks taxes aggregating $13,904,046.92 had been collected through Dec. 31, 1935, but it is impossible to determine the amount thereof to be refunded.

ADJUSTMENT PAYMENTS TO WHEAT PRODUCERS

The adjustment payments to cooperating wheat producers for the 3 years of the program total approximately $98,600,000 for 1933, $101,600,000 for 1934, and $115,600,000 for 1935.

The procedure of payment has been to pay an initial installment of 20 cents per bushel of allotment, and to make the remainder of the payment upon the completion of compliance for the next crop. As of December 31, 1934, disbursement of both payments on the 1933 crop and the initial payment on the 1934 crop had been completed. By December 31, 1935, nearly $98,000,000 of the $101,600,000 due on the 1934 program and $60,000,000 of the $115,600,000 due on the 1935 program had been paid. As of December 31, 1935, there remained to be paid approximately $3,800,000 on the second installment of the 1934 payment and $55,000,000 to complete the 1935 payments. In addition there was the question of making payments to wheat farmers who had substantially complied with the intent of the proposed 1936–39 program.

LOCAL COSTS BELOW ESTIMATES

The local costs of administering the program, which were paid by the cooperating farmers in each county association, were below the estimates of 2 cents per bushel made before the wheat plan was inaugurated. For the year ending June 30, 1934, the average cost for local administration of the program was 1.42 cents per allotment bushel. For the final 2 years of the program this cost is expected to average less than 1 cent per allotment bushel.

Administrative costs in addition to the local costs of the program have averaged 2.93 percent of the gross receipts. In addition to these administrative costs, other items of expenditure have included approximately 6 million dollars as tax refunds and approximately 6 million dollars as refunds on exports and costs of the North Pacific Emergency Export Association, which aided in the exportation of some 28 million bushels of wheat from the Pacific Northwest in the crop year 1933–34.

III. THE WHEAT EXPORT SITUATION

The problem of finding adequate export outlets is fundamental in the United States wheat situation, but this problem has not been acute during the 3 years of the wheat-adjustment program. Production during each of these 3 years has been below the normal domestic requirements of the country, and instead of a substantial export movement of wheat there has been a reduction in the surplus. Net exports of wheat, including flour, from the United States, which had been 313 million bushels in the season 1920–21, declined to 32 million bushels in 1932–33 and to 26 million bushels in 1933–34, while in 1934–35 there was a small net import of approximately 3.5 million bushels. For the season 1935–36 net imports may total 35 million bushels.

The export outlets for United States wheat remain almost as restricted as ever, and 1 year of normal weather can again give the United States a burdensome surplus of wheat.

A similar problem faced producers in 1933. At that time the export market had been sharply reduced, largely through the efforts of many former wheat-importing nations to become self-sufficient through restrictions on imports of wheat, accompanied by encouragement of wheat production within their own borders.

ACREAGE IN EXPORTING COUNTRIES INCREASED

Also there was increasing competition from other exporting nations. The principal exporting nations, besides the United States, are Canada, Argentina, and Australia. During and after the World War, wheat acreage in these countries expanded rapidly, rising from an average of 32 million harvested acres for 1909–13 to 61 million harvested in 1932–33.

The result of this larger acreage in exporting nations at the same time that imports were being restricted by importing nations, was an increase in the world carry-over of wheat. For the period 1922–26 the average July 1 carry-over in the principal exporting countries was 247 million bushels. For the years 1927–31 the carry-over was 469 million bushels. In 1932 the carry-over totaled 640 million bushels, and in 1933 it totaled 745 million bushels. Of this the United States had 393 million bushels.

Since 1933 there has been a marked improvement in the world supply situation. The world carry-over in the principal exporting nations declined from 745 million bushels in 1933 to 693 million bushels in 1934 and to 494 million bushels in 1935. Much of the reduction has come about through lower yields.

FEATURES OF UNITED STATES WHEAT TRADE

Several factors have affected the international trade in United States wheat during the 3 years of the wheat-adjustment program. Among these are: (1) The emergency export operations in the Pacific Northwest in 1933–34, (2) the severe damage to hard red spring wheat by blackstem rust in 1935, causing importation of Canadian wheat, although total United States supplies of all wheat were more than adequate for domestic requirements, and (3) a continued abnormal relationship between world prices and United States prices, under which United States prices were maintained above instead of below Liverpool quotations.

The United States was one of the nations signing the international wheat agreement in London in 1933. Under this agreement the United States, Canada, Argentina, and Australia agreed to attempt to reduce production for the 1934–35 season by 15 percent below the normal production on the acreage planted in the years 1931–33. In addition, export quotas were agreed upon, and importing nations agreed to prevent increases in their production and to consider a lowering of trade restrictions if world wheat prices reached and maintained stipulated higher levels. Acreage reduction in the United States in 1934 was 8.3 percent under the world-agreement base, while the average reduction for the other three exporting nations was 9.2 percent.

The export quotas were for the 1934–35 season and a tentative agreement on quotas for the 1935–36 season was reached. The United States had a quota of 47 million bushels for 1933–34, but this country's net exports amounted to only 26 million bushels that year. Canada and Australia exported slightly less than their quotas, while Argentine exports exceeded the quota for that country. Failure to agree upon quotas for the following season made the agreement in-

effective. An international wheat commission still maintains a central office in London and further international cooperation in the wheat trade is a possibility.

The North Pacific Emergency Export Association was organized in 1933 under the terms of a marketing agreement with producers, exporters, and millers in Washington, Oregon, and northern Idaho to facilitate the export of surplus wheat from that territory. This agreement assisted exports of approximately 28,400,000 bushels of wheat as grain or in the form of flour during the 1933–34 marketing season. During 1935, however, with wheat supplies sharply reduced by drought, the marketing agreement and the association, while nominally in existence, remained inactive.

SUPPLY NOT UNIFORM BY CLASSES

The carry-over on July 1, 1935, of 152 million bushels of wheat, and a production of 603 million bushels, resulted in an available supply for the current year of 755 million bushels. This supply of 755 million bushels was, in total, more than adequate for our average domestic requirements of 625 million bushels. However, the supply was not evenly distributed by classes of wheat and the supplies of certain classes, especially of good quality hard red spring wheat, was smaller than needed for expected utilization and normal carry-over stocks. This lowering of the supplies of hard red spring milling wheat has resulted in some imports of high quality Canadian hard spring wheat, which for the year were expected to total approximately 35 million bushels. Table 50 shows the average stocks and utilization of wheat, by classes, and the estimated utilization of wheat for the year 1935–36:

TABLE 50.—*Supply and utilization of wheat by classes, 5-year average 1929–30 to 1933–34 and 1935–36 estimates*

[In millions of bushels]

Item	Hard red winter		Soft red winter		Hard red spring		Durum		White		Total	
	5-year average	1935–36	5-year average	1935–36	5-year average	1935–36	5-year average	1935–36	5-year average	1935–36	5-year average	1935–36
Carry-over July 1	155	71	36	32	92	28	22	5	25	16	330	152
Production	349	198	179	184	135	110	39	28	82	83	784	603
Total supply	504	269	215	216	227	138	61	33	107	99	1,114	755
Utilization [1]	300	225	176	180	136	140	36	28	66	81	714	654
Exports	39	------	-- 1	------	1	------	7	------	13	------	61	------
Imports [1]	------	------	------	------	------	35	------	------	------	------	------	------
Carry-out July 1 [1]	165	44	38	36	90	33	18	5	28	18	339	136

[1] Prospective for 1935–36.

Since February 1933 the United States price of wheat, as expressed by Chicago cash quotations, has been above the world price of wheat, as expressed by Liverpool cash quotations. (See fig. 4.) Since exports are large only when Chicago prices are between 10 and 20 cents below Liverpool prices, the domestic prices of the last few years have been too high for any substantial export trade. The spread in these prices averaged 25.9 cents a bushel in the 1933–34

marketing year, and 21.9 cents in the 1934–35 marketing year, and ranged from 15 cents to 27 cents between July and December in 1935.

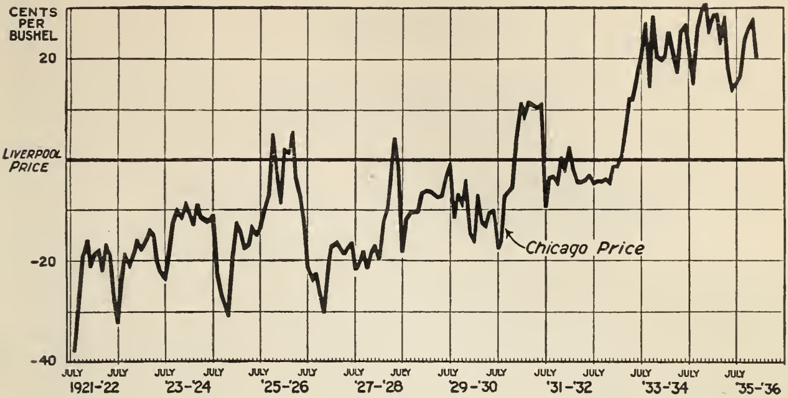

FIGURE 4.—Difference between Chicago and Liverpool prices of No. 2 Hard Winter wheat. Chicago and Liverpool panels.

A return to normal wheat yields in the United States could result in supplies sufficiently large to force United States prices below Liverpool quotations, thus making possible, as far as price is concerned, a larger exportation of United States wheat.

CHAPTER 12

CORN AND HOGS

SALIENT FACTS ABOUT CORN AND HOGS

1. Number of hogs on farms on January 1:		
1933		62,127,000
1934		58,621,000
1935		39,004,000
1936		42,541,000
2. Corn harvested:		
1932	bushels	2,906,873,000
1933	do	2,351,658,000
1934	do	1,337,126,000
1935	do	2,202,852,000
3. Percent of base hog production under adjustment in 1935		64
4. Percent of base corn production under adjustment in 1935		49
5. Yearly average price of hogs per 100 pounds:		
1932		\$3.44
1933		\$3.94
1934		\$4.17
1935		\$8.36
6. Yearly average price of corn per bushel:		
1932	cents	28.1
1933	do	38.0
1934	do	64.5
1935	do	57.7
7. Farm cash income from corn and hog production in 1932		\$597,000,000
8. Farm cash income from corn and hog production in 1935 (including benefit payments)		\$981,000,000

Cooperative adjustment in corn and hog production on about one million American farms was in operation 2 years, 1934 and 1935.

During this period, farmers who normally produce over half of the Nation's corn supply and three-fourths of its commercial supply of pork were united in a cooperative effort to stabilize their industry and to regain their seriously depleted purchasing power.

Their combined efforts were measurably effective. The advance and orderly liquidation of hog numbers and the use of the 13 million acres held out of corn production and planted to emergency feed crops cushioned the impact of the Nation's most disastrous drought on farm income and on the supply of food available to city dwellers. Substantial progress was evidenced in greatly improved prices and income to corn and hog producers. In 2 years the cash farm income from hogs alone increased nearly 60 percent. The material increase in farm purchasing power served not only to prevent wholesale bankruptcy in the livestock industry but also to stimulate city business and encourage industrial improvement.

To gage accurately the improvement that took place between May 1933 and December 1935 on corn- and hog-producing farms, a perspective of conditions in the entire livestock industry at the bottom of the depression is essential.

I. CORN AND HOGS IN AGRICULTURE

Although corn and hogs are produced on approximately 4½ million farms and in every State, about 90 percent of the commercial supply of hogs of the United States comes from approximately 1,400,000 commercial corn and hog farms located principally in the North Central States—commonly known as the Corn Belt. About 75 percent of the country's corn is also produced in these 12 States.

Corn is the chief feed grain for the livestock industry, and hogs consume between 40 and 50 percent of the Nation's annual production. Approximately 100 million acres, or nearly 30 percent of the total harvested crop acreage in this country, has been planted to corn annually since 1909. The annual harvest has averaged about 2,600,000,000 bushels.

Nearly half of the meat eaten by Americans consists of pork, and 29 percent of all fats and oils normally used for food consists of lard. To supply the domestic demand and the export trade for pork and lard, American farmers sold between 60 and 80 million head of hogs annually for commercial slaughter from 1918 to 1934.

SEVERE DECLINE IN INCOME FROM HOGS

The annual gross income derived from corn sold as grain has never been large, but the part of the crop that is converted into animal products returns to farmers a large percentage of their total income. Gross income from hogs usually averages between 10 and 15 percent of the total gross farm income of the Nation.

For a number of years prior to 1930 the annual slaughter of hogs in the United States had a market value of more than a billion dollars. By 1932, however, the total farm income from hogs had dropped to only $439,536,000, or nearly $850,000,000 less than in 1929. This severe decline in income was the direct result of ruinously low prices received on the farm for corn and hogs.

SITUATION ACUTE IN 1932

During the winter of 1932–33 the average farm price of hogs fell below $3 per hundredweight—the lowest level in more than 50 years—as compared with an average of $7.22 for the 1910–14 period preceding the World War. In early 1933 corn was selling for less than 20 cents a bushel as compared with an average of 64.2 cents a bushel during the 1910–14 period. Average farm prices for cattle were below $4 per hundredweight and sheep were around $2 a hundred pounds.

At the same time that the livestock industry was forced to take these low prices farmers were paying, for commodities they had to buy, prices that averaged even higher than they had been in the pre-war period. In terms of these commodities the purchasing power of both corn and hogs was less than one-half of their ex-

change value before the war. This severe disparity between prices received and prices paid by corn-hog farmers was due to curtailed buying of American pork and lard in Europe and to mounting unemployment and reduction in earnings among American wage earners.

Partly because of the erection of international trade barriers and partly because of the marked revival of European hog production, exports of pork and lard from the United States fell from around 2,000,000,000 pounds in early post-war years to a little more than one-third as much in 1932. Pork exports that had reached new high levels under the stimulus of war-time demand declined from 24 percent of total United States pork production in 1919 to 2 percent of production in 1932.

From the end of 1929 to the close of 1932 factory employment had declined 40 percent and factory pay rolls had dropped 60 percent. Yet hog production continued at the predepression high and domestic hog prices fell to record low levels, as has always happened when supplies of hogs do not change and the total demand or consumers' purchasing power decreases.

The chronic situation in the corn-hog industry had reached an acute stage by 1932.

CORN AND HOGS MADE BASIC COMMODITIES IN 1933

Corn and hogs, therefore, were included among the commodities designated as basic under the original Agricultural Adjustment Act of 1933. Two objectives were paramount. The immediate objective was to remove price-depressing surpluses and to make such adjustments in American hog production as would compensate for the severe decline in export demand. The longer-time objective was to reestablish and maintain the fair-exchange value of corn and hogs.

Under this act and the amendments made by Congress in 1934 and 1935 three major programs were put into effect: (1) The emergency hog-buying program and the supplemental purchase program in 1933; (2) the corn-hog adjustment program of 1934; and (3) the corn-hog adjustment program of 1935. These programs were supplemented by loans through the Commodity Credit Corporation to farmers on the corn crops of 1933, 1934, and 1935.

Toward the close of 1935, a 2-year corn-hog adjustment program designed for 1936–37, featuring good land-use practices and a departure from historic production bases, was formulated.

II. EMERGENCY PROGRAMS INAUGURATED IN 1933

Emergency hog-buying program purchases:		
Light pigs	head	5, 104, 984
Heavy pigs	do	1, 083, 738
Sows	do	222, 144
Cost		$30, 643, 102
Purchases in supplemental program:		
Live hogs	head	1, 400, 000
Equivalent in market hogs of 92 million pounds of pork and lard purchases	head	600, 000
Cost		$13, 500, 000

EMERGENCY PURCHASE PROGRAM

Government purchases of piggy sows and of pigs weighing from 25 to 100 pounds began August 23, 1933. The program was proposed as an emergency device by corn- and hog-producer representatives in several Midwestern States. Hog production was greatly in excess of demand, and Government reports indicated that unusually heavy marketings of hogs during the winter and spring of 1933–34 would result from a 4-percent increase in the 1933 spring pig crop and the prospect of an 8-percent increase in 1933 fall farrowings. The program closed October 7, 1933.

Purchases from farmers in 41 States were made by 139 authorized meat packers at 80 processing points over the country. The heavy pigs and the sows were converted into 100,145,000 pounds of dry salt pork for distribution to needy families by the Federal Emergency Relief Administration. Pigs weighing less than 80 pounds, those too small for economical processing into meat, were converted into inedible products—more than 10,000 tons of grease and about 5,000 tons of fertilizer tankage. Processing operations were subject to both ante-mortem and post-mortem inspection by the United States Department of Agriculture.

Though the program was a temporary device, suitable only for the emergency that existed in the fall of 1933, it maintained hog prices at a level substantially higher than it otherwise would have been, it provided meat for poor families, it served as timely drought relief for farmers in the Dakotas and adjoining territory hard hit by the regional drought of 1933, and it saved feed that otherwise would have been used for finishing the pigs for glutted hog and pork markets in the spring of 1934. Thus it fulfilled its purpose. Though this feature was unforeseen when the program was inaugurated, the purchases brought about a timely liquidation in hog numbers prior to the devastating Nation-wide drought that struck less than a year later.

SUPPLEMENTAL PURCHASES BEGAN IN NOVEMBER

The emergency hog-purchase program was followed by purchases of live hogs and hog products for relief distribution. These supplemental purchases began in November 1933 and were closed in May 1934. The purchases of live hogs amounted to approximately 1,400,000 head averaging about 175 pounds each. Purchases of pork and lard from processors' stocks totaled about 92 million pounds, or the equivalent of about 600,000 market hogs. The total cost of the supplemental purchase program reached $14,980,067. Throughout the spring of 1934 the supplemental program tended to support hog prices during the weeks when marketings were particularly heavy.

A corn loan on the 1933 corn crop and an adjustment program for 1934 were the measures used to hold the ground gained by the emergency program.

III. ADJUSTMENT IN 1934

Number of contracts	1, 155, 300
Adjusted base corn acreage	55, 313, 500
Acres withheld from corn production	13, 320, 000
Number of hogs in adjusted market base	54, 320, 000

Gross estimates adjustment payments:	
Corn, 30 cents per bushel	$111, 837, 000
Hogs, $5 per head on 75 percent market base	$203, 694, 000
Local administration expenses	$11, 602, 000
Votes cast in corn-hog referendum	535, 690
For continued adjustment	374, 584
Against continued adjustment	161, 106
1933–34 loans on farm-stored corn at 45 cents per bushel	$120, 493,-000
Corn stored under loan program ... bushels	267, 762, 000

Corn-hog farmers who agreed to cooperate in the adjustment program for 1934 were eligible to borrow 45 cents per bushel on the 1933 crop of corn stored under seal on farms in States having uniform warehousing laws.

CASH FROM CORN LOAN STIMULATED BUSINESS

Approximately 268 million bushels of corn were placed under seal by the 197,000 farmers who took advantage of this low-cost credit made available by the administration. They received nearly $120,500,000 in cash that immediately began to stimulate retail trade throughout the Corn Belt where most of the loans were made. When borrowers repaid their loans, the average farm price of corn ranged from 70 to 85 cents. The Government realized 100 percent on collections.

The 1933–34 corn loan performed a threefold service to corn-hog farmers: (1) It supplied cash with which to obtain winter feed supplies, (2) gave farmers the benefit of the decided rise in price that took place in 1934, and (3) prompted them to store on the farm more than one-tenth of the average annual corn crop, a large portion of which was carried forward into 1934 when the drought reduced the corn harvest by nearly a billion bushels.

PRODUCTION-CONTROL CONTRACTS FIRST USED IN 1934

The 1934 corn-hog adjustment program furnished the machinery whereby 1,155,300 producers, through 2,182 production-control associations, could by cooperative effort make desired adjustments in production that could not be accomplished through individual effort.

The contract with producers was brought out late in the fall of 1933. It originally emphasized reduction in production of corn and hogs but with the advent of the drought it was modified to hold the severe drought damage to a minimum.

Under the 1934 contract a signer pledged to hold his market-hog production, from litters farrowed during the year, 25 percent below his 1932–33 average. He also agreed to hold his 1934 corn acreage between 20 and 30 percent below the average for the base years, 1932 and 1933, and to use the acreage shifted from corn only for soil-improving, erosion-preventing, or other noncash crops. Cooperating farmers who made the required adjustment received corn-adjustment payments at the rate of 30 cents a bushel on the appraised yield of the contracted acres, and hog-adjustment payments at the rate of $5 a head on 75 percent of the hogs in the market base.

On the 1,155,300 contracts were listed 55,313,500 acres of corn base and an average market-hog production in 1932 and 1933 of 54,320,000. The aggregate estimated gross rental payments on 13,030,000 acres held out of corn production was $111,840,000, and the gross adjustment payments on hogs totaled $203,700,000.

The actual gross disbursements made under 1934 contracts total $311,639,894. This includes, however, $11,602,238 for local administrative expenses, 80 to 85 percent of which went for personal services—largely to farmers themselves for conducting their own program.

STATE ORGANIZATIONS ADMINISTERED PROGRAMS

State organizations, usually made up of the Federal-State statistician, a representative of the State agricultural extension service, and a representative of corn-hog farmers, chosen by the corn and hog section of the Agricultural Adjustment Administration, directed the conduct of the program in the field.

Farmers cooperating in the program elected community committees, usually of three members each, to administer the program within communities. The chairman of the community committee served as a director of the county (or district) production control association. The executive duties of the county association were performed by a county allotment committee of 3 to 5 directors. In most States, the extension service through county agricultural agents had charge of the educational work connected with the program.

Preparation of contracts, appraisal of yields on contracted acres, and checking of compliance were carried on by approximately 55,000 community committeemen working through 2,182 county corn-hog control associations. The average cost of work done by committeemen in the 1934 program was less than 4 percent of the total adjustment payments made to contract signers.

DROUGHT DESTROYED BALANCE

The balance in corn and hog production—and indirectly in related branches of the livestock industry—that would have followed a normal growing season in 1934 was shattered by drought that first parched the western border of the Corn Belt, and finally caused crop failure and forced liquidation of livestock in about 20 States.

When the drought became widespread, steps were taken to assist contract signers and other producers in conserving feed supplies and in increasing the supply of late forage crops. Provisions of the contract were liberalized to permit planting of late-sown feed and forage crops, and even corn for forage, on contracted acres. These positive steps resulted in a larger production of feed than would otherwise have been possible. Whereas the acreage planted to corn in 1934 would have produced about 2,200,000,000 bushels under normal weather conditions, the harvested crop was only 1,377,126,000 bushels—the smallest since 1880. The average corn yield in South Dakota, Nebraska, Kansas, and Missouri was less than 4 bushels an acre.

The number of pigs saved from 1934 litters was 26 million less than the average production on all farms from 1927 to 1933. Contract signers were obligated, however, to reduce only 13 million pigs below their 1932–33 average production. Nevertheless, the downward adjustment in the 1934 spring pig crop under the program provided an orderly liquidation in hog supplies made necessary by the extreme shortage of feed. It thus happened that the planned reduction in hog numbers by the number formerly, but no longer,

exported, served to minimize the severe effects of a more drastic reduction that the drought would have necessitated.

Purchase on Government account of cattle, sheep, and goats that would have starved or died of thirst began in June 1934. These purchases also prevented heavy losses to farmers and ranchers that would have occurred if the markets had been glutted with distressed shipments.

IV. ADJUSTMENT IN 1935

Number of contracts	989,500
Adjusted base corn acreage	51,385,100
Acres withheld from corn production	11,787,150
Number of hogs in adjusted market base	45,613,300
Gross estimated adjustment payments:	
Corn, 35 cents per bushel	$111,160,000
Hogs, $15 per head on 10 percent of market base	$68,450,000
Local administrative expenses	$10,000,000
Total votes cast in corn-hog referendum	943,992
For continued adjustment	816,891
Against continued adjustment	127,091
1934–35 corn loans at 55 cents per bushel	$11,041,000
Bushels stored under 1934–35 loan program	20,073,000

In the early fall of 1934, it was apparent that the drought had created new and continuing problems for corn and hog producers. At the beginning of the 1934–35 winter feeding season, livestock feeds and forage were scarce and high in price. Reduction in livestock numbers had not kept pace with losses in feeds and forage suffered in the 1934 growing season. This condition was expected to encourage an overexpansion of corn acreage in 1935, while livestock numbers could not be increased fast enough to provide outlet for even an average corn crop.

Under the mandate of two-thirds of the producers voting in the Nation-wide referendum in October 1934 the 1935 corn-hog adjustment contract was drawn up to prevent overexpansion in corn plantings, to make feed supplies available as early in the year as possible, and to further the purpose of the act in increasing corn-hog growers' income toward fair-exchange levels.

NEW CONTRACT CONTAINED MODIFIED PROVISIONS

The program provided for unrestricted use of the land withheld from planting to corn, provisions enabling new producers to participate, greater simplicity in contract regulations and administrative rulings, and more decentralization of administration. Special attenton was given to a more rapid and efficient method of handling contracts. In the initial sign-up, an application form was used instead of the contract itself, and in order to expedite filling out of the contracts, producers were classified according to their status into four groups. Group 1 comprised those producers whose bases remained unchanged; group 2, those whose farming units had changed during the year; group 3, new producers; and group 4 consisted largely of those who were assigned bases under administrative rulings dealing with permissible production.

The range of corn adjustment was increased from 10 to 30 percent of the average acreage planted in 1932–33. Market-hog production under contract could be a maximum of 90 percent of the 1932–33 average instead of the maximum of 75 percent under the 1934 con-

tract. It was necessary, however, for farmers to produce 25 percent of their base production in order to participate in the program.

Adjustment payments on corn were increased from 30 to 35 cents per bushel, and the appraised yield was made on the basis of all land that had been in corn at least once in the past 5 years instead of on the land held out of corn production. The rate of adjustment payment on hogs was $15 a head on 10 percent of the 1932-33 market production average.

SECOND CORN-LOAN PROGRAM LAUNCHED

Before the adjustment program got under way, the Administration launched its second corn-loan program, which made available for eligible borrowers 55 cents a bushel on their 1934 crop properly stored and sealed on the farm. A total of $11,041,457, collateralized by 20,073,395 bushels of corn, was advanced to 15,697 farmers in 10 Midwestern States. As with the 1933-34 program, the Commodity Credit Corporation handled the loans with funds provided by a commitment from the Reconstruction Finance Corporation.

The 1934-35 loan program had a tendency to increase the supply of livestock at a time when most needed and made seed supplies available in many areas. The decrease in volume of loans in 1934 was directly attributed to the drought which severely limited corn supplies on farms. Table 51 shows the number and amount of loans, the amount of corn stored in the various States, and the totals as compared with loans made under the 1933-34 program. Every dollar advanced by the Government to the approximately 213,000 farmers under the first two corn-loan programs has been repaid with interest.

TABLE 51.—*Data on 1934-35 corn-loan program*

State	Number of loans	Amount of loans made	Volume of corn stored
		Dollars	*Bushels*
Colorado	10	10, 984. 48	19, 972
Illinois	3, 622	2, 648, 979. 75	4, 817, 258
Indiana	554	268, 031. 65	487, 498
Iowa	8, 128	5, 876, 738. 43	10, 685, 052
Kansas	129	99, 342. 20	178, 984
Minnesota	861	405, 241. 45	736, 803
Missouri	229	173, 114. 53	312, 915
Nebraska	1, 735	1, 312, 138. 95	2, 386, 149
Ohio	131	51, 245. 84	93, 137
South Dakota	298	195, 639. 80	355, 627
Total 1934-35	15, 697	11, 041, 457. 08	20, 073, 395
Total 1933-34 (first corn loan)	197, 000	120, 493, 034. 11	267, 761, 708

April 1, 1935, was the deadline for accepting applications for 1935 adjustment contracts. On June 10, the State statisticians reported that 1,032,500 contracts were in some stage of completion. The base corn acreage covered by 1935 contracts then in preparation for acceptance was 53,580,000 acres compared with 55,310,000 acres of corn base on 1934 contracts. The average hog production for market in 1932 and 1933 by the applicants for 1935 contracts totaled approximately 48 million head.

The total adjustment payments to be made to contract signers was estimated at 186 million dollars on the basis of this June 10 report.

October 31, 1935, was set as the final date for State boards to accept contracts. On November 30, the close of the contract year,

it was estimated that the total number of contracts upon which payments were to be made would not exceed one million. A number of small producers who filled out applications failed to sign contracts, and in some cases applications or the contracts were canceled when producers found it impossible to meet the 25 percent minimum production requirements. At the close of business on December 31, 1935, nearly 990,000 contracts had been accepted for audit at Washington. It is estimated that approximately 2,000 more were held up in the State offices because of errors or incompleteness.

DISTRIBUTION OF PAYMENTS BEGAN IN JULY

Distribution of 1935 corn-hog adjustment payment checks began in late July of 1935, but the bulk of the payments was made in August and September. On December 31 first-payment checks at the rate of $7.50 a head on hogs and 20 cents a bushel on corn had been distributed on 963,549 contracts. Disbursements totaled $79,112,000. The balance of payments in connection with 1935 contracts, including all of the final installment from which local administrative expenses must be deducted, is estimated at $100,500,000.

Hog processing taxes throughout 1935 were $2.25 per hundred pounds live weight, as established March 1, 1934. The processing tax on field corn has remained at 5 cents a bushel since the initial tax was imposed on November 5, 1933. Total tax collections from November 5, 1933, through December 31, 1935, have amounted to $282,313,391.63. As tax funds are collected largely in the year following the season in which production adjustment itself is made, there is a time lag which must be considered when collections are compared with program disbursements. Actual collections during the 1935 calendar year totaled $98,515,264.65. During 1935, however, the lower courts granted injunctions sought by a large number of processors against payment of processing taxes. This action has tied up approximately $2,400,000 in corn processing taxes and 51 million dollars in hog taxes. The total amount of assessed but unpaid hog processing taxes is estimated at 98 million dollars.

Preaudit of 1935 contracts in the offices of the State boards reduced to seven-tenths of 1 percent the number of contracts suspended at Washington on account of errors. In 1934, when the contracts were sent direct from the counties to Washington, about 3½ percent had to be suspended for errors.

The State boards, county control associations, and community committeemen administered the 1935 program in the field with increased speed and efficiency. The administrative cost per contract was lowered, and though there was a decrease of more than $125,000,000 in total adjustment payments, the local administrative expenses in relation to total payments increased only from slightly less than 4 percent to less than 6 percent. Local administrative expenses in 1935 are expected to total about 10 million dollars.

Contract signers elected new county and community committees at the beginning of the 1935 program, but few changes were made among the committeemen chosen to carry on the work.

Table 52 gives a preliminary summary of the results of the 1935 corn-hog adjustment program by States and by geographical divisions.

TABLE 52.—*Preliminary summary of results of 1935 corn-hog adjustment program of the Agricultural Adjustment Administration, by States*

State and division	Number of contracts accepted for audit	Contract signers' base acreage as adjusted	Acreage contracted for retirement [1]	Adjusted base acreage per contract	Acreage retired as percentage of base	Average appraised yield per acre of corn land	Contract signers' hog base as adjusted [2]	Hog base per contract
	Number	*Acres*	*Acres*	*Acres*	*Percent*	*Bushels*	*Number*	*Number*
Maine	10	32	----------	3.2	--------	--------	1,395	139.5
New Hampshire	111	354	3	3.2	.8	55.0	9,236	83.2
Vermont	354	1,890	37	5.3	2.0	45.3	16,056	45.4
Massachusetts	193	312	2	1.6	.6	36.0	118,395	613.4
Rhode Island	7	1	----------	.1	--------	--------	1,314	187.7
Connecticut	71	358	18	5.0	5.0	32.9	14,707	207.1
New York	1,324	10,481	614	7.9	5.9	35.3	73,671	55.6
New Jersey	255	3,975	949	15.6	23.9	39.0	96,763	379.5
Pennsylvania	2,530	58,346	13,516	23.1	23.2	41.8	94,281	37.3
North Atlantic	4,855	75,749	15,139	15.6	20.0	41.4	425,818	87.7
Ohio	45,208	1,546,900	303,508	34.2	19.6	36.5	2,499,993	55.3
Indiana	62,525	2,583,615	504,651	41.3	19.5	33.8	3,713,735	59.4
Illinois	96,205	6,072,587	1,218,062	63.1	20.1	35.2	5,071,997	52.7
Michigan	13,786	282,470	52,202	20.5	18.5	32.4	473,333	34.3
Wisconsin	35,215	844,974	134,761	24.0	15.9	34.8	1,377,630	39.1
East North Central	252,939	11,330,546	2,213,184	44.8	19.5	34.9	13,136,688	51.9
Minnesota	70,048	3,324,179	712,088	47.5	21.4	31.3	3,149,665	45.0
Iowa	147,267	9,336,228	1,910,180	63.4	20.5	37.3	10,275,619	69.8
Missouri	93,577	4,113,215	1,051,476	44.0	25.6	26.1	3,934,599	42.0
North Dakota	19,030	827,429	190,448	43.5	23.0	19.2	542,310	28.5
South Dakota	57,270	4,075,188	1,048,551	71.2	25.7	16.9	2,161,022	37.7
Nebraska	84,053	7,644,780	1,831,245	91.0	24.0	23.4	3,995,869	47.5
Kansas	62,053	3,830,528	1,031,246	61.7	26.9	19.1	2,264,635	36.5
West North Central	533,298	33,151,547	7,775,234	62.1	23.5	26.4	26,323,719	49.4
Delaware	753	23,852	6,750	31.7	28.3	30.9	6,062	8.1
Maryland	3,109	93,270	21,673	30.0	23.2	33.2	70,590	22.7
Virginia	7,489	196,836	42,667	26.3	21.7	25.6	221,411	29.6
West Virginia	1,425	32,403	7,605	22.7	23.5	30.9	44,259	31.1
North Carolina	4,109	123,743	27,634	30.1	22.3	21.5	144,664	35.2
South Carolina	1,810	133,590	29,419	73.8	22.0	14.6	87,862	48.5
Georgia	787	66,339	13,607	84.3	20.5	11.7	44,613	56.7
Florida	1,371	75,819	18,429	55.3	24.3	12.6	57,144	41.7
South Atlantic	20,853	745,609	167,784	35.8	22.5	21.9	676,605	32.4
Kentucky	23,347	797,503	192,056	34.2	24.1	23.8	653,567	28.0
Tennessee	18,815	633,547	148,360	33.7	23.4	23.0	484,941	25.8
Alabama	4,489	182,505	44,248	40.7	24.2	12.6	94,371	21.0
Mississippi	344	23,838	6,179	69.3	25.9	16.9	16,282	47.3
Arkansas	12,296	266,964	67,600	21.7	25.3	17.9	225,756	18.4
Louisiana	1,042	49,082	12,995	47.1	26.5	15.3	12,073	11.6
Oklahoma	40,481	1,207,166	333,658	29.8	27.6	17.5	987,067	24.4
Texas	35,807	1,097,338	295,151	30.6	26.9	16.9	894,881	25.0
South Central	136,621	4,257,943	1,100,247	31.2	25.8	19.0	3,368,938	24.7
Montana	3,340	63,487	16,932	19.0	26.7	13.9	122,767	36.8
Idaho	6,244	13,450	1,907	2.2	14.2	32.3	272,738	43.7
Wyoming	2,454	152,041	42,358	62.0	27.9	13.5	61,222	24.9
Colorado	13,700	1,391,159	399,989	101.5	28.8	12.4	348,182	25.4
New Mexico	2,996	171,061	50,482	57.1	29.5	13.3	52,944	17.7
Arizona	102	314	35	3.1	11.1	27.9	11,300	110.8
Utah	2,021	2,766	159	1.4	5.7	28.1	49,559	24.5
Nevada	236	688	195	2.9	28.3	44.4	15,095	64.0
Washington	3,278	4,779	452	1.5	9.5	35.7	165,882	50.6
Oregon	4,015	16,118	1,458	4.0	9.0	36.4	177,852	44.3
California	2,525	7,828	1,569	3.1	20.0	32.0	403,961	160.0
Western	40,911	1,823,691	515,536	44.6	28.3	12.9	1,681,502	41.1
United States	989,477	51,385,085	11,787,124	51.9	22.9	26.7	45,613,270	46.1

[1] Gross benefit payments due on corn may be calculated by multiplying the retired acreage by the indicated average yield and this resulting production by 35 cents per bushel.

[2] Gross benefit payments due on hogs may be calculated at the rate of $1.50 per head in the adjusted hog base.

V. MEASURING RESULTS OF ADJUSTMENT

It is possible to measure many of the results of the 1935 program at the close of the contract year on December 1.

Because of the great drought-enforced liquidation of hogs in 1934, not one of the major hog-producing States was able to raise the permitted 90 percent of base production. The 25-percent minimum hog-production requirement in the contract, however, caused an unusual demand for bred sows in the fall of 1935 and without question served to increase the size of the fall farrow above what it otherwise would have been. The 1935 fall pig crop in the United States was 31 percent larger than the small pig crop of a year earlier.

Hog prices usually make a seasonal rise during the first half of the year and reach the highest level in late summer or early fall. The comparatively high meat prices which prevailed in August, September, and October of 1935, however, and which brought resentment from consumers in some industrial centers, were due to the small meat supplies available for consumption and to increased consumer buying power. The limiting factor in relieving the shortage in pork and other meat supplies throughout 1935 was the time that it takes to increase breeding stock and bring the offspring to market weights after a severe drought liquidation.

After a rather late corn-planting start in 1935, due to a cold and wet spring, growing conditions improved, and the resulting corn yield per acre was only 2 bushels under the 25.7-bushel average for the 5 years from 1928 to 1932. The total production of corn in 1935 was 2,202,852,000 bushels, or only 360 million bushels under the 5-year average. As at least 250 million bushels of corn would have been produced on the 11,700,000 acres held out of corn under 1935 contracts, the program served to keep production more in line with livestock feeding requirements.

VI. CORN-HOG REFERENDA

In appraising the results of corn and hog adjustment over the 2-year period, one of the most significant measurements is the change in sentiment among corn and hog farmers as revealed in the referenda. A Nation-wide referendum among producers was held near the close of both the 1934 and the 1935 contract periods, farmers voting each time on the question of having a new program.

Effects of adjustment made on farms under contract, and of the emergency purchase program, on prices for hogs were overshadowed by a record-breaking liquidation of swine herds that glutted the market with brood sows and unfinished pigs during the summer and fall of 1934. The late-sown, drought-resisting forage crops promised to yield more feed for livestock than would have been harvested had more corn been planted on farms under contract. But a serious shortage of feeds was certain. Despite this temporary set-back to balanced production, 389,139 corn-hog farmers voted in October 1934 to continue the adjustment program in 1935. Of all votes cast in the 1934 referendum 67 percent were favorable to continuing the program.

From a feed shortage in 1934, the situation swung back toward the other extreme 1 year later. A fair crop of corn was certain in 1935. Small grains had yielded well and farmers had on hand the largest

supply of forage that they had had for years. With cheap and abundant feed and with small or no increase in the number of livestock on hand through which to market the feed, the stage was set in 1936 for one of the most rapid upswings in hog production on record. The outlook was for continuation of this upswing through 1937, and by 1938 a supply of hogs badly out of balance with demand.

It was this outlook and the growing understanding that under the Agricultural Adjustment Act farmers for the first time had an effective means of cooperative control of production that resulted on October 25, 1935, in a 6-to-1 vote in favor of continuing adjustment after the 1935 program. Producers were polled by secret, written ballot on the one question, "Do you favor a corn-hog adjustment program to follow the 1935 program which expires November 30, 1935?"

The total vote cast in the 1935 referendum was 816,891 for continuing adjustment and 127,091 against. Table 53 gives the vote by States.

TABLE 53.—*Corn-hog referendum votes, 1934 and 1935, by States*

State	1934						1935					
	Contract signers		Nonsigners		Total		Contract signers		Nonsigners		Total	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Alabama	1, 382	77	0	0	1, 382	77	3, 175	97	1, 621	978	4, 796	1, 075
Arizona	40	0	0	0	40	0	70	16	28	12	98	28
Arkansas	4, 264	634	210	30	4, 474	664	5, 908	406	1, 730	714	7, 638	1, 120
California	1, 387	164	70	21	1, 457	185	1, 555	88	535	137	2, 090	225
Colorado	3, 403	1, 001	0	0	3, 403	1, 001	8, 062	620	1, 110	297	9, 172	917
Connecticut	63	9	0	0	63	9	47	0	10	16	57	16
Delaware	206	1	0	0	206	1	536	8	221	158	757	166
Florida	721	46	20	1	741	47	755	46	360	96	1, 115	142
Georgia	177	2	51	0	228	2	476	21	498	63	974	84
Idaho	2, 554	1, 210	0	0	2, 554	1, 210	2, 832	251	487	174	3, 319	425
Illinois	33, 602	11, 111	2, 227	2, 504	35, 829	13, 615	79, 208	5, 605	15, 154	6, 288	94, 362	11, 893
Indiana	25, 920	14, 082	1, 429	2, 572	27, 349	16, 654	58, 465	5, 159	9, 147	2, 897	67, 612	8, 056
Iowa	64, 579	25, 528	2, 607	4, 527	67, 186	30, 055	135, 879	12, 865	24, 889	13, 863	160, 768	26, 728
Kansas	17, 429	19, 985	1, 117	4, 130	18, 546	24, 115	34, 315	3, 034	7, 496	3, 963	41, 811	6, 997
Kentucky	8, 313	654	524	143	8, 837	797	18, 895	329	5, 856	511	24, 751	840
Louisiana	227	57	1	2	228	59	658	33	10	3	668	36
Maine	4	3	0	0	4	3	5	1	0	0	5	1
Maryland	840	107	0	0	840	107	1, 786	122	494	154	2, 280	276
Massachusetts	112	9	0	0	112	9	158	2	24	13	182	15
Michigan	24, 633	3, 071	54	61	4, 687	3, 132	7, 333	1, 228	647	1, 082	7, 980	2, 310
Minnesota	6, 702	9, 779	485	472	27, 187	10, 251	47, 831	4, 706	5, 551	2, 437	53, 382	7, 143
Mississippi	156	5	0	0	156	5	291	2	18	1	309	3
Missouri	32, 753	15, 918	1, 566	3, 424	34, 319	19, 342	59, 584	4, 144	9, 807	5, 242	69, 391	9, 386
Montana	1, 307	297	22	41	1, 329	338	1, 794	84	432	45	2, 226	129
Nebraska	27, 327	26, 490	2, 168	9, 517	29, 495	36, 007	54, 509	11, 792	6, 547	7, 098	61, 056	18, 890
Nevada	109	9	15	4	124	13	196	12	20	9	216	21
New Hampshire	50	24	0	0	50	24	69	8	31	76	100	84
New Jersey	143	26	0	0	143	26	176	13	11	19	187	32
New Mexico	951	65	64	12	1, 015	77	1, 527	154	302	89	1, 829	243
New York	466	320	0	0	466	320	545	149	76	111	621	260
North Carolina	1, 566	135	0	0	1, 566	135	2, 385	67	126	15	2, 511	82
North Dakota	9, 047	1, 201	135	37	9, 182	1, 238	12, 635	600	3, 432	776	16, 067	1, 376
Ohio	16, 423	11, 646	330	1, 058	16, 753	12, 704	30, 369	3, 046	4, 747	3, 191	35, 116	6, 237
Oklahoma	11, 045	4, 743	186	470	11, 231	5, 213	16, 475	1, 542	4, 710	2, 056	21, 185	3, 598
Oregon	1, 037	836	0	0	1, 037	836	1, 924	237	540	183	2, 464	420
Pennsylvania	1, 099	205	8	7	1, 107	212	1, 427	79	380	338	1, 807	417
Rhode Island	8	2	0	0	8	2	7	0	5	5	12	5
South Carolina	513	85	0	0	513	85	1, 352	26	191	56	1, 543	82
South Dakota	23, 527	3, 570	279	62	23, 806	3, 632	31, 369	4, 236	3, 317	1, 434	34, 686	5, 670
Tennessee	9, 374	1, 478	0	0	9, 374	1, 478	12, 709	660	3, 741	856	16, 450	1, 516
Texas	17, 097	1, 694	789	266	17, 886	1, 960	18, 955	1, 550	14, 696	4, 939	33, 651	6, 489
Utah	969	94	0	0	969	94	1, 268	72	130	27	1, 398	99
Vermont	235	104	0	0	235	104	159	36	20	39	179	75
Virginia	3, 573	500	126	62	3, 699	562	4, 393	111	1, 578	284	5, 971	395
Washington	1, 331	266	22	27	1, 353	293	1, 659	102	480	104	2, 139	206
West Virginia	517	209	0	0	517	209	866	98	200	320	1, 066	418
Wisconsin	16, 351	3, 239	50	21	16, 401	3, 260	16, 919	1, 047	2, 243	1, 143	19, 162	2, 190
Wyoming	1, 052	415	0	0	1, 052	415	1, 445	153	287	122	1, 732	275
Total	374, 584	161, 106	14, 555	29, 471	389, 139	190, 577	682, 956	64, 657	133, 935	62, 434	816, 891	127, 091

VII. IMPROVED PRICES, INCOME, AND PURCHASING POWER

The composite judgment of farmers as expressed in the two referenda is explained by a study of the changes that have taken place during the past 3 years in prices and income on the corn and hog farms. These changes are shown in tables 54 and 55.

TABLE 54.—*Prices, production, and income from corn and hogs, average 1924–28 and by years, 1929–35*

Year	Hogs				Corn			
	Weighted average farm price	Fair exchange value [1]	Slaughter under Federal inspection [2]	Cash farm income	Weighted average farm price	Fair exchange value [1]	Acres harvested	Total production
			1,000 head	*Thousand dollars*	*Cents per bushel*	*Cents per bushel*	*1,000 acres*	*1,000 bushels*
1924–28	$9.61	$11.96	45,996	1,246,697	84.0	106.3	99,980	2,623,574
1929	9.33	11.84	48,445	1,286,345	86.5	105.3	97,806	2,535,546
1932	3.44	8.59	45,245	439,536	28.1	76.4	108,668	2,906,873
1933	3.94	8.52	47,226	[3] 509,418	38.0	75.8	103,260	2,351,658
1934	4.17	9.17	43,876	[4] 697,619	64.5	81.5	87,795	1,377,126
1935	[5] 8.36	[5] 9.24	26,058	[5] 710,000	[5] 57.7	[5] 82.2	92,727	2,202,852

[1] The parity price for the 5-year base period August 1909 to July 1914 was $7.22 per live hundredweight for hogs and 64.2 cents per bushel for corn. Fair exchange value is obtained by adjusting the parity price by the index of prices paid by farmers, including taxes and interest.
[2] About 65 percent of the estimated total slaughter for the United States.
[3] Includes $30,643,000 paid for hogs slaughtered by the Government in the fall of 1933.
[4] Includes $203,694,000 paid to 1934 corn-hog contract signers as hog-adjustment payments.
[5] Preliminary estimate. The cash-farm income from hogs in 1935 includes approximately $70,000,000 eceived as hog-adjustment payments under 1935 corn-hog contracts.

It should be noted in table 54 that the decrease of nearly 18 million head of hogs sold by farmers in 1935 for slaughter under Federal inspection was largely attributable to the drought in 1934, which cut the harvest of corn and small grains about in half. Likewise the decided increases in corn and hog prices was largely the result of drought-reduced supplies. The preliminary estimate of 1935 cash farm income from hogs plus adjustment payments, however, nearly equals the income a year earlier. It should also be noted that the farm price for hogs was approximately 90 percent of parity price (or fair-exchange value) in 1935 as compared with about 40 percent in 1932. Corn prices were in a similar situation except that they reacted more quickly not only to adjustment efforts but also to the drought.

The average monthly farm prices for corn and for hogs, and the fair-exchange values for both commodities, by months during the past 4 years, are shown in table 55. The figures for 1932 and 1933 show the great difference between prices actually received and prices that should have been received if corn and hogs were to have the same exchange value as they had during the pre-war parity period, 1910 to 1914.

TABLE 55.—*Average farm prices of corn and hogs, and fair exchange value, 1932 through 1935*

Month	1932		1933		1934		1935	
	Farm price [1]	Fair-exchange value [2]	Farm price [1]	Fair-exchange value [2]	Farm price [1]	Fair-exchange value [2]	Farm price [1]	Fair-exchange value [2]
CORN [3]	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*	*Cents*
January	33.7	80.9	19.1	71.9	43.9	78.3	85.3	82.8
February	32.4	80.3	19.4	71.3	45.6	79.6	84.5	83.5
March	32.2	79.0	20.6	70.6	47.1	80.3	82.7	83.5
April	31.4	78.3	28.2	71.3	47.1	80.3	85.2	83.5
May	30.1	77.7	38.9	71.9	48.6	80.9	84.8	83.5
June	29.4	77.0	40.2	72.5	56.0	80.9	83.3	83.5
July	29.9	76.4	55.4	74.5	59.2	80.9	82.4	82.8
August	30.2	76.4	48.8	77.0	72.7	82.8	80.8	82.2
September	28.0	75.8	46.5	79.6	77.4	83.5	78.0	80.9
October	21.6	75.1	38.8	79.6	76.7	83.5	71.8	80.9
November	19.4	74.5	40.6	79.6	75.7	83.5	56.4	80.9
December	18.8	73.8	42.0	79.6	85.3	83.5	53.0	80.9
HOGS [4]	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
January	3.76	9.10	2.68	8.09	3.06	8.81	6.87	9.31
February	3.53	9.03	2.94	8.01	3.87	8.95	7.10	9.39
March	3.90	8.88	3.22	7.94	3.88	9.03	8.10	9.39
April	3.58	8.81	3.21	8.01	3.49	9.03	7.88	9.39
May	2.96	8.74	3.88	8.09	3.17	9.10	7.92	9.39
June	2.82	8.66	3.96	8.16	3.52	9.10	8.36	9.39
July	4.23	8.59	3.98	8.38	3.97	9.10	8.40	9.31
August	4.06	8.59	3.79	8.66	4.61	9.31	10.22	9.24
September	3.78	8.52	3.73	8.95	6.04	9.39	10.29	9.10
October	3.25	8.45	4.17	8.95	5.20	9.39	9.56	9.10
November	3.05	8.38	3.70	8.95	5.04	9.39	8.54	9.10
December	2.73	8.30	2.92	8.95	5.15	9.39	8.72	9.10

[1] Average prices as of 15th of each month.
[2] See footnote [1] on table 53. Preliminary for 1935.
[3] Price in cents per bushel.
[4] Price in dollars per hundred pounds liveweight.

On December 15, 1932, hogs were selling for $5.57 per 100 pounds less than their parity value of $8.30. Throughout 1934 and 1935, hogs gradually approached fair-exchange value, and on December 15, 1935, sold for only 38 cents under parity. Hog prices exceeded parity only in August, September, and October of 1935, the season of unusually low hog receipts and relatively high hog prices.

The effect of the 45-cent corn loan on prices in the fall and winter of 1933–34 and the justification for fixing the loan on the 1934 crop at 55 cents per bushel are apparent in table 55. The parity price of fair-exchange value of corn has been above 80 cents per bushel since March 1934. Though the average farm price of corn reached parity in late winter of 1934 and early spring of 1935, it lacked 28 cents of parity price on December 15, 1935. With corn supplies greater than the demand for livestock feeding, corn prices are relatively low and the relationship between hog prices and corn prices is very favorable to hog feeding. These factors were taken into consideration in setting the rate per bushel for the 1935–36 loan at 45 cents.

VIII. EXPORTS AND IMPORTS

Table 56 shows the trend of decreasing exports of pork and lard from 1929 to 1932, a trend that was even more visible from 1923 to the early depression period, as European countries returned to prewar production levels and raised trade barriers against United States

farm products. A slight pick-up in exports was evidenced prior to the severe drought-curtailment of supplies in 1934. Some improvement in export demand is expected in 1936.

TABLE 56.—*Pork and lards production, imports, and exports of pork and lard, by years, 1929–35*

Year	Pork				Lard			
	Production under Federal inspection[1]	Total imports [2]	Total exports [3]	Percent exports were of production	Production under Federal inspection	Total imports [4]	Total exports [5]	Percent exports were of production
	1,000 pounds	*1,000 pounds*	*1,000 pounds*		*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	
1929	5, 911, 000	8, 514	343, 684	5. 81	1, 763, 000	1	847, 868	48. 1
1930	5, 544, 000	4, 654	277, 352	5. 00	1, 521, 000	2	656, 018	43. 1
1931	5, 609, 000	3, 972	159, 876	2. 85	1, 554, 000	3	578, 296	37. 2
1932	5, 583, 000	5, 772	116, 280	2. 08	1, 573, 000	8	552, 154	35. 1
1933	5, 826, 000	2, 925	142, 035	2. 44	1, 679, 000	(6)	584, 238	34. 8
1934	5, 282, 000	1, 647	150, 542	2. 85	1, 333, 000	(6)	434, 892	32. 6
1935	3, 744, 000	10, 494	88, 680	2. 37	662, 000	40	97, 359	14. 7

[1] Amounts to approximately 65 percent of estimated total production.
[2] Tariff rates, act of 1930: Fresh pork, 2½ cents per pound; cured, smoked, and otherwise prepared pork, 3¼ cents per pound.
[3] Includes bacon, hams, and shoulders, and other canned, fresh, and pickled pork. Shipments to Alaska, Hawaii, and Puerto Rico excluded.
[4] Duty on lard imports, 3 cents per pound.
[5] Includes neutral lard. Shipments to Alaska, Hawaii, and Puerto Rico excluded.
[6] Less than 1,000 pounds.

During the 1934–35 feeding season, farmers carried the largest possible number of hogs through the winter on the small rations available. Hog numbers on farms were less than two-thirds of what they had been a year earlier. Nevertheless, total pork imports in 1935 amounted to less than one-third of 1 percent of the comparatively small pork slaughter under Federal inspection, and were less than 2 million pounds larger than in 1929. A duty of 2½ cents a pound was paid on fresh pork imports, and 3¼ cents a pound on cured, smoked, and otherwise prepared pork products. In addition, the importer paid the equivalent of the hog processing tax. Though lard imports showed a decided increase, they were negligible compared with the total lard exports of 97 million pounds or with total lard production in 1935.

Imports of corn during 1935 totaled 43,242,862 bushels, about three-fourths of which came from the Argentine Republic. These imports amounted to less than 2 percent of our average annual corn crop and represented only about 4.3 percent of the estimated billion-bushel drought loss of corn in 1934. Corn imports paid a duty of 25 cents a bushel.

Despite an unprecedented drought in 1934, imports of pork products and corn were an extremely small percentage of our total drought loss of these commodities and an almost inconsequential percentage of our total production of corn and hogs.

IX. PLANNING CONTINUED ADJUSTMENT

By the late summer of 1935 the need for continued adjustment in corn acreage began to be discussed by corn-hog farmers. The prospect was for an ample harvest of feed grains and forage crops and a

total grain supply per animal unit larger on January 1, 1936, than at any other time since the World War. The prospective relationship between hog prices and corn prices—the hog-corn price ratio—was extremely favorable to hog feeding. It appeared imperative that hog adjustment also be continued to bring about an orderly expansion in hog numbers in 1936 and to prevent excessive hog production and distress prices by 1938.

Producers themselves, after almost 2 years of experience in correcting some of the maladjustments in corn and hog production, took the initiative in developing plans for a new program. Many constructive recommendations were made at discussion meetings held in the Corn Belt States in August.

PUBLIC HEARING CALLED SEPTEMBER 26

A corn-hog hearing, one of the first held under the provisions of the new amendments to the Agricultural Adjustment Act, was called on September 26 to gather evidence as to whether the corn-hog program should be continued and, if so, what changes would be best calculated to aid both producers and consumers. The hearing continued through September 27. Continuation of the program was unanimously advocated by farmers and by representatives of all the major farm organizations. Consumer representatives recognized the value of the program to farmers but urged the Administration to see that any new program should safeguard the consumer. Representatives of meat-packing interests urged discontinuance of the program.

As a part of the investigation required by the Agricultural Adjustment Act as amended, before the formulation of a new program, the Nation-wide referendum was called for Saturday, October 25. Farmers' discussion meetings were held in all the major corn and hog producing areas during the 2 weeks prior to the referendum. Farmers were acquainted with the essential facts assembled by the Department of Agriculture on supplies and prices and with the outlook in relation to corn-hog adjustment.

The total vote in the referendum, as revealed in table 53, indicated a clear preference for a continued program. It was a mandate from the Nation's producers of corn and hogs to proceed with the drafting of a new program.

On November 4, the Secretary of Agriculture formally proclaimed the new program which the investigation had shown to be economically justifiable and necessary. A 2-year adjustment program for 1936 and 1937 was announced. The principal objective was to maintain a balance between the production and consumption of corn and hogs.

During the following week producers and agricultural specialists from 25 States met in Washington to make recommendations for the 2-year contract.

NEW LOAN ON CORN ANNOUNCED OCTOBER 30

In the meantime, on October 30, the Commodity Credit Corporation announced that it had approved recommendations of the Adjustment Administration for a loan of 45 cents a bushel to eligible farmers on

corn stored and sealed on the farm. The loan was a continuation of the policy first inaugurated in the fall of 1933 to enable farmers to market their crop in more orderly fashion. As a survey of conditions in the field had indicated much corn of a high moisture content in some areas, 1935–36 loans were restricted to corn which, if shelled, would grade No. 3 or better. Previously, loans were made on No. 4 corn.

PROPOSED 1936–37 CONTRACT

On December 2, 1935, details of the 2-year adjustment programs were announced. The contract, following very closely the recommendations made by producer representatives in conference in Washington in early November, was designed to do four things:

1. Balance the corn crop with livestock feeding requirements.
2. Encourage the use of better-balanced cropping systems on individual farms.
3. Maintain a balance between producer and consumer interests.
4. Restore the balance in production between regions adversely affected by drought and floods during 1934 and 1935, and regions having more normal weather during that period.

In brief, the provisions of the 1936–37 corn-hog adjustment contract were as follows:

Duration of contract.—Two years—December 1, 1935, to November 30, 1937.

Bases.—To be established by appraisal by community committees. Review, to assure uniformity, by county allotment committees. Both appraisal and review to be in accordance with standards prescribed by Secretary.

Corn adjustment in 1936.—From 10 to 30 percent of corn base, with exact percentage at option of producer. Planting of not less than 25 percent of base acreage required.

Hog adjustment in 1936.—To receive maximum payment, producer to raise not less than 50 percent and not more than 100 percent of his market hog base.

Corn adjustment in 1937.—Rate to be announced by November 30, 1936. Planting of more than 25 percent of his corn base or adjustment below 75 percent of that base not to be required.

Hog adjustment in 1937.—To secure maximum payment, producer not to be asked to raise more than 60 percent nor make a downward adjustment of more than 25 percent of his assigned market base.

Corn payments.—In 1936, two installments, about August 1 and about December 31, at rate of 35 cents per bushel times the appraised yield, times the adjusted corn acreage. The 1937 rate per bushel to be not less than 30 cents; announcement of rate by November 30, 1936.

Hog payments.—In one installment as soon as possible after final compliance check at close of each year. The 1936 rate to be $1.25 per head for each hog in the market base. The 1937 rate to be not less than the 1936 rate.

Local administrative expenses.—Pro rata share to be deducted from payments.

Division of Corn Payments.—Tenant and landlord to share according to respective interests in assigned corn base and as the corn

crops under the lease were divided on each separately owned tract. As an alternative method, subject to approval of allotment committee, tenant and landlord might make division according to number of adjusted corn acres on each separately owned tract.

Division of hog payments.—Tenant and stock-share landlord to divide payments as they divided hog crop or proceeds from sales of hogs under the lease.

Uses of adjusted acres.—Planting of soil-improving or erosion-preventing crops required on the adjusted corn acres. Such plantings to be in addition to the area normally devoted to these purposes on the farm.

Termination of Contract.—Contract to be in full force through November 30, 1937, unless Secretary (1) terminates all corn-hog contracts with respect to 1937 by an announcement not later than November 30, 1936, or (2) approves application made by contract signer not later than April 1, 1937, for termination of his original contract, or (3) terminates a contract because of noncompliance.

The provisions for establishing corn and hog bases by appraisal rather than by the historic production method, and for using an acreage equal to the adjusted acres for soil-improving or erosion-preventing purposes, in addition to the acres normally devoted to these uses, provided for soil-conservation, good land-use and sound farm management practices.

To the individual producer the 2-year program offered—

1. A greater opportunity to receive a fair return for his products.
2. A greater stability in prices and income by ironing out the sharp fluctuations in production known as the corn-hog cycle.
3. Equitable corn and hog bases.
4. Sufficient flexibility to permit adjustments best suited for individual farming operations.

State and regional meetings were held during the latter part of December 1935 to acquaint local officials with all of the details of the new program and to lay plans for country and community sign-up and election meetings in January 1936.

EFFECT OF SUPREME COURT DECISION JANUARY 6, 1936

Production-control contract programs for corn and hogs were terminated as the result of the Hoosac Mills decision of the Supreme Court on January 6, 1936. The decision did not affect the commodity loans on corn.

CHAPTER 13

TOBACCO

SALIENT FACTS ABOUT TOBACCO ADJUSTMENT

1. Total number of contracts under all programs in 1935	369, 465
2. Total base acreage under contract in 1935 ... acres	2, 018, 540
3. Percent of entire base tobacco acreage covered by contract in 1935	95. 2
4. Estimated cash farm income from sale of tobacco during:	
1932–33	$107, 108, 000
1933–34	$182, 544, 000
1934–35	$229, 058, 000
1935–36	$247, 750, 000
5. Rental and benefit payments received during:	
1933–34	$16, 342, 000
1934–35	$31, 068, 000
1935–36	$13, 129, 000
6. Percent of total votes cast in growers' referenda in June–July 1935, in favor of continuing the tobacco programs	95. 6

When the tobacco production adjustment programs were inaugurated under the Agricultural Adjustment Act, about 750 million pounds of tobacco in excess of normal requirements had been accumulated in the United States. This accumulation was due to declines in consumption at home and abroad and to the continued high level of production. It was the largest surplus of record and represented more than the annual United States consumption of domestic types of tobacco. About one-third of the surplus on hand when the programs were inaugurated has been removed. Virtually all of the surplus of some types has been removed, but for other types the improvement has not been so marked.

The average annual farm income from tobacco during the period 1932–35 was approximately 126 million dollars above the 1932–33 depression level. The acute situation among tobacco farmers has been relieved. Many growers who had become heavily indebted during the years of low income have been able to retire all or a large part of their indebtedness.

The income from tobacco declined from $292,360,000 in 1929 to $221,419,000 in 1930, and this decline continued unchecked to $135,829,000 in 1931 and $107.108,000 in 1932. Farm income from the sale of tobacco increased from this level to $182.544,000 in 1933 and $229,058,000 in 1934. Sales to January 1, 1936, indicate that the income from the 1935 crop will show a further increase to around $247,750,000.

Tobacco is the principal source of cash income for about 375,000 farmers and in addition for about the same number of share-tenants and share-croppers in 28 States and in Puerto Rico. Total farm

income from tobacco in the United States for the 10-year period 1919-28 averaged $270,602,000. Production during the same period averaged 1,322,497,000 pounds, of which approximately 40 percent was exported. Annual tobacco production for all types during 1933–35 averaged 1,235,553,000 pounds. Flue-cured tobacco represents about one-half the United States total production; Burley, one-fourth; the remainder comprising the other four principal kinds—fire-cured, dark air-cured, cigar leaf, and Maryland tobacco.

I. TOBACCO AS A BASIC COMMODITY

Tobacco was defined as a basic commodity by the Agricultural Adjustment Act. The period August 1919–July 1929 was specified as the base period for determining parity tobacco prices. This period was selected instead of the pre-war period, specified for other basic commodities, on account of the change in world tobacco consuming habits in recent years and the consequent changes in production and demand conditions.

Owing to the excessive stocks of most types of tobacco on hand, the main objective of the act with regard to basic commodities became especially applicable to tobacco, and the necessity of reducing production was regarded as of paramount importance. Different adjustment programs for each of the six principal kinds of tobacco were found necessary, however, because these kinds of tobacco differ greatly in price, production, use, proportion exported, consumer demand, and in other characteristics. Accordingly, the Secretary of Agriculture designated each of the six classifications of tobacco listed below as a basic commodity and a separate program was formulated for each.

Cigar-leaf tobacco.
Flue-cured tobacco.
Burley tobacco.
Fire-cured tobacco.
Dark air-cured tobacco.
Maryland tobacco.

The production-adjustment program for cigar-leaf tobacco applied to the 1933 crop, while the other five production-adjustment programs, formulated toward the close of 1933, applied first to the 1934 crop.

Each program provided for the adjustment of acreage and production through voluntary contracts between growers and the Secretary of Agriculture. In return for adjusting their production, growers participating in the tobacco programs through contracts received benefit payments. Definite acreage and production bases for individual farms were specified in the tobacco contracts, except those for cigar-leaf tobacco, which specified acreage bases only. Acreage and production allotments for individual growers were calculated from the respective bases.

MARKETING AGREEMENTS IMPROVED INCOME IN 1933

When the Agricultural Adjustment Act was passed, the growing season was so far advanced for all types of tobacco except cigar leaf that adjustments in the 1933 crop were not feasible. However, after the growers had indicated their willingness to adjust production in 1934, six marketing agreements were negotiated for the principal kinds of tobacco. Under these agreements the leading domestic

buyers agreed to pay higher prices for the 1933 crop. Commitments and purchases under these agreements are shown in table 57.

TABLE 57.—*Commitments and purchases under tobacco marketing agreements*

Kind of tobacco and agreement	Commitments		Purchases	
	Quantity	Price	Quantity	Price
	Pounds	*Cents per pound*	*Pounds*	*Cents per pound*
Flue-cured: Agreement no. 15	249, 728, 994	17. 0	285, 681, 137	17. 4
Burley: Agreement no. 34	255, 968, 350	11. 8	286, 386, 576	12. 6
Fire-cured and dark air-cured:				
Agreement no. 41	2, 433, 684	1. 05	2, 433, 684	1. 5
Agreement no. 37	31, 000, 000	11. 0	31, 978, 778	12. 7
Agreement no. 38	10, 224, 933	7. 0	12, 059, 049	8. 4
Cigar-leaf: Agreement no. 66	18, 500, 000	6. 6	22, 925, 696	6. 6
Total	567, 855, 961	13. 7	641, 464, 920	14. 4

For some kinds of tobacco, substantial price increases occurred at the time the marketing agreements became effective or soon after. For other types, the marketing agreements became effective at the time the markets opened, or soon after, and prices were prevented from sinking to the levels that otherwise would have prevailed. It is estimated that the marketing agreements and the formulation of the tobacco program increased receipts from the 1933 tobacco crop approximately $45,000,000 above what growers otherwise would have received.

ADJUSTMENT OF PRODUCTION INCREASED FARM INCOME IN 1934 AND 1935

The supply of each of the six principal kinds of tobacco showed a reduction from 1933–34 to 1934–35, in spite of the fact that stocks of most kinds of tobacco at the beginning of the 1934–35 marketing season showed an increase over those of the previous year. This increase in stocks came about because the 1933 crop was larger than domestic consumption plus exports. However, sufficient reductions were made in the 1934 crop to more than offset the increase in stocks, and the surplus at the end of the 1934–35 marketing year was substantially reduced.

Adjustments in tobacco production resulted in substantial increases in the income from the 1934 crop notwithstanding the smaller quantity of leaf for sale. Market receipts from the sale of the crop aggregated $229,058,000, exclusive of rental and benefit payments. This was more than double the market receipts in 1932 and 25 percent greater than the farm income from the 1933 crop. Increased consumption and improved business conditions at home and abroad, as well as the improvement in the supply situation, were responsible for part of the price improvement.

Preliminary price information on Maryland and cigar-leaf types, and the prices that prevail on the markets for other types indicate that the income from the 1935 crop, exclusive of rental and benefit payments, will be around $247,750,000. This represents an increase of 8 percent over the farm value of the preceding crop and approximates the predepression level of farm income from tobacco.

BENEFIT PAYMENTS

In addition to the increase in income resulting from reduced supplies the income of growers has been further augmented by rental and benefit payments. These payments are of two types. The first or rental payment for each acre taken out of production was different for each principal kind of tobacco but was uniform for that kind except in the case of cigar-leaf, for which different payments were made according to type. The variations in these payments were based upon the average value per acre of the different kinds of tobacco and the amount of reduction requested of growers.

The second payment, and the third payment in cases where a third was provided, was based upon the net sale value of the tobacco sold by the grower. Under contracts providing production bases and allotments, the adjustment payment was augmented by a deficiency payment to growers who marketed less tobacco than their initial production allotment. The proportion of the net sale value of the tobacco upon which adjustment payments were based varied among the different types of tobacco in accordance with the reduction growers made.

Benefit payments were made from revenue obtained from the processing taxes levied on tobacco used in domestic manufacture. Tobacco processing taxes became effective October 1, 1933. For cigar-leaf tobacco, benefit payments were first made with respect to the 1933 crop; for all other kinds of tobacco, the first payments were made in connection with the 1934 crop. However, a large part of these payments were made in the 1933–34 marketing season in order to relieve the distressed condition of the tobacco growers as early as possible. Table 58 shows the value of sales and the benefit payments for each of the six principal kinds of domestic tobacco and for Puerto Rican cigar-leaf tobacco during each of the marketing years 1929–30 to 1935–36.

TABLE 58.—*Income from the sale of tobacco and benefit payments, by marketing years, 1929–30 to 1935–36*

[In thousands of dollars, i. e., 000 omitted]

Marketing year	Flue cured	Fire cured	Burley	Maryland [1]	Dark air cured	Cigar leaf [1]	Puerto Rican	Total
1929–30	134, 920	24, 794	74, 660	6, 856	6, 620	38, 070	6, 440	292, 360
1930–31	103, 479	14, 159	55, 270	4, 981	4, 840	29, 590	9, 100	221, 419
1931–32	56, 406	9, 573	37, 791	4, 212	2, 518	17, 869	7, 460	135, 829
1932–33	43, 336	7, 778	38, 664	4, 717	1, 631	9, 932	1, 020	107, 108
1933–34:								
Value of sales	112, 102	11, 634	39, 464	3, 833	2, 314	9, 897	3, 300	182, 544
Benefit payments	9, 365	427	3, 226	37	149	1, 980	1, 158	16, 342
Total	121, 467	12, 061	42, 690	3, 870	2, 463	11, 877	4, 458	198, 886
1934–35:								
Value of sales	151, 793	13, 614	39, 518	4, 215	2, 824	12, 504	4, 590	229, 058
Benefit payments	12, 134	1, 234	11, 908	35	538	5, 176	43	31, 068
Total	163, 927	14, 848	51, 426	4, 250	3, 362	17, 680	4, 633	260, 126
1935–36:								
Value of sales	161, 915	12, 330	46, 872	5, 138	2, 371	14, 124	5, 000	247, 750
Benefit payments [2]	2, 477	1, 480	3, 200	86	726	3, 197	1, 943	13, 129
Total	164, 392	13, 810	50, 092	5, 224	3, 097	17, 321	6, 943	260, 879

[1] Adjusted for accumulation and sale of farm stocks. [2] Estimated for marketing year.

RELATIONSHIP OF GROWERS' RETURNS TO MANUFACTURERS' PROFITS

During the period in which the returns to tobacco growers had declined so heavily, profits of tobacco manufacturers had increased to the highest level of record. In 1923 the total profits of 34 leading tobacco manufacturers were $76,000,000 while the gross farm receipts from tobacco retained for domestic manufacture were $174,000,000. Corresponding figures for 1928 were $121,000,000 and $161,000,000, respectively. By 1932 profits of these manufacturers had increased to $146,000,000 and gross farm receipts from tobacco retained for domestic manufacture had declined to only $68,000,000. It was evident that the grower was not receiving an equitable share of the tobacco consumer's dollar.

The relationship of the profits of 34 leading tobacco manufacturers to gross returns to farmers for tobacco retained for domestic manufacture is shown in figure 5. It may be noted that for the years

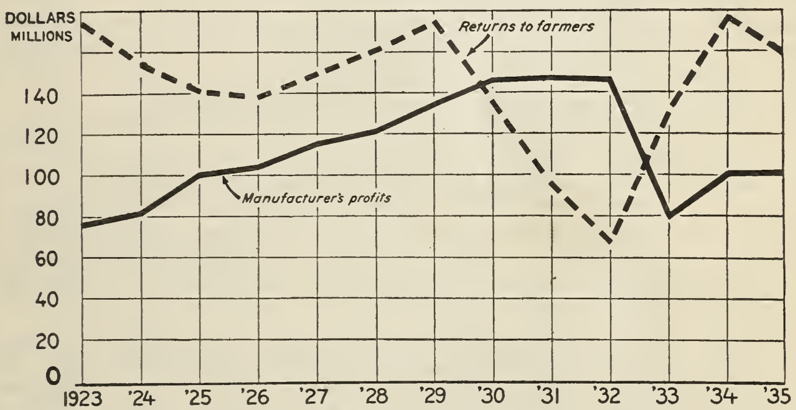

FIGURE 5.—Returns to tobacco growers compared with profits of tobacco manufacturers, 1923–35.

1933 to 1935, inclusive, the predepression relationship between returns to farmers and manufacturers' profits had been reestablished.

TOBACCO PROCESSING TAXES

The Agricultural Adjustment Act originally provided that when the Secretary of Agriculture determined and proclaimed that benefit payments were to be made with respect to any basic agricultural commodity, processing taxes should be in effect from the beginning of the next marketing year. The rate of the tax was established in the act as the difference between the current average farm price for the commodity and its fair exchange value. It was provided, however, that if the Secretary found that such rate would tend to result in the accumulation of surplus stocks or in the depression of farm price, the rate should be at such lower level as would prevent these results. After investigations and public hearings, numerous changes in tobacco-processing rates have been made under this provision.

Effective October 1, 1933, the beginning of the 1933–34 marketing year, all tobacco-processing taxes, except those for cigar-leaf tobacco,

were at the full rate provided by the act. In the case of cigar-leaf tobacco, the Secretary of Agriculture found, from evidence presented at hearings on September 8, 1933, that the full statutory rate of 6 cents per pound would tend to result in the accumulation of surplus stocks or the reduction of farm price. It was further found that a rate of 3 cents per pound would not cause such results.

Similarly, the processing-tax rate upon flu-cured tobacco used in the manufacture of twist and plug chewing tobacco was reduced, effective August 1, 1934, from 4.2 cents per pound to 3.3 cents per pound, the same as the statutory rate for dark air-cured tobacco.

The fair-exchange value for the 1933 crop of Burley tobacco exceeded the current average farm price by 6.1 cents per pound, an amount greater than that by which the fair-exchange value exceeded farm price the previous year. In the case of Maryland tobacco, the current average farm price for the 1933 crop exceeded the fair-exchange value. Accordingly, it was found that in order to effectuate the declared policy of the Agricultural Adjustment Act it was necessary to increase the processing tax rate on Burley tobacco to 6.1 cents per pound and to reduce the processing tax rate on Maryland tobacco to zero. As a result of hearings held September 5, 1934, the processing tax on Burley tobacco used in the manufacture of twist and plug chewing tobacco was established at 4.1 cents per pound.

From evidence presented at public hearings on November 9, 1934, held at the request of members of the industry, it was found that the processing tax at prevailing rates was causing such a reduction in the amount of tobacco used in the manufacture of all chewing-tobacco products as to result in the accumulation of surplus stocks or the depression of farm prices. Effective February 1, 1935, processing-tax rates on all types of tobacco used in the manufacture of chewing products were reduced.

The amendments to the Agricultural Adjustment Act as provided by Public, No. 320, Seventy-fourth Congress, approved August 24, 1935, provided that processing taxes upon tobacco (along with other basic agricultural commodities) should be at such rates as those prescribed in regulations of the Secretary of Agriculture in effect on the date of the adoption of the amendments. It was further provided that if, during the 2 months immediately preceding and the first 10 months of a marketing year, the average price for tobacco (1) was less than the fair-exchange value by not more than 10 percent or exceeded the fair-exchange value by not more than 10 percent, the existing tax rate should be adjusted at the beginning of the next marketing year to 20 percent of the fair-exchange value; (2) exceeded the fair-exchange value by more than 10 but not more than 20 percent, the rate should be adjusted to 15 percent of the fair-exchange value; or (3) exceeds the fair-exchange value by more than 20 percent, the rate should be adjusted to 10 percent of the fair-exchange value.

The average farm price for dark air-cured tobacco for the 1934–35 marketing year was more than 10 percent below the fair-exchange value, and consequently the changes in processing-tax rates provided in section 9 (b) (6) of the amended act were not applicable to this kind of tobacco. The average farm price for flue-cured tobacco exceeded the fair-exchange value by more than 20 percent. In the case

of each of the other four kinds of tobacco, the average farm price was not more than 10 percent below or not more than 10 percent above the fair-exchange value. Except for cigar-leaf tobacco and for Burley tobacco used in the manufacture of chewing products, the tax rates were adjusted as provided in the amended act. On the basis of evidence presented at a hearing on September 9, 1935, the processing-tax rates on cigar-leaf tobacco and on Burley tobacco used in the manufacture of chewing products were reduced below the full rates provided by the statutes. The processing-tax rates established effective October 1, 1933, subsequent changes, and rates existing at the end of 1935 are shown in table 59.

TABLE 59.—*Processing tax rates on tobacco and changes in rates*

Kind of tobacco and effective period	General tax rate			Tax rate for tobacco used in the manufacturing of chewing tobacco		
	Farm sales weight	Unstemmed processing order	Stemmed processing order	Farm sales weight	Unstemmed processing order	Stemmed processing order
	Cents per pound	*Cents per pound*	*Cents per pound*	*Cents per pound*	*Cents per pound*	*Cents per pound*
Flue-cured:						
Oct. 1, 1933–Sept. 30, 1934	4.2	4.7	6.1	[1] 3.3	[1] 3.7	[1] 4.8
Oct. 1, 1934–Sept. 30, 1935	4.2	4.7	6.1	[2] 2.0	[2] 2.3	[2] 2.9
Oct. 1, 1935–Dec. 31, 1935	1.89	2.13	2.73	(3)	(3)	(3)
Burley:						
Oct. 1, 1933–Sept. 30, 1934	2.0	2.3	3.1	(3)	(3)	(3)
Oct. 1, 1934–Sept. 30, 1935	6.1	7.0	9.5	[4] 4.1 [2] 2.5	[4] 4.7 [2] 2.9	[4] 6.4 [2] 3.9
Oct. 1, 1935–Dec. 31, 1935	3.5	4.0	5.4	[5] 2.5	[5] 2.9	[5] 3.9
Maryland:						
Oct. 1, 1933–Sept. 30, 1934	1.7	1.8	2.4			
Oct. 1, 1934–Sept. 30, 1935	0	0	0			
Oct. 1, 1935–Dec. 31, 1935	3.62	3.85	5.2			
Fire-cured:						
Oct. 1, 1933–Sept. 30, 1934	2.9	3.2	4.1	(3)	(3)	(3)
Oct. 1, 1934–Sept. 30, 1935	2.9	3.2	4.1	[2] 2.0	[2] 2.2	[2] 2.9
Oct. 1, 1935–Dec. 31, 1935	2.14	2.36	3.1	(3)	(3)	(3)
Dark air-cured:						
Oct. 1, 1933–Sept. 30, 1934	3.3	3.8	5.1	(3)	(3)	(3)
Oct. 1, 1934–Sept. 30, 1935	3.3	3.8	5.1	[2] 2.0	[2] 2.3	[2] 3.1
Oct. 1, 1935–Dec. 31, 1935	[6] 3.3	[6] 3.8	[6] 5.1	[6] 2.0	[6] 2.3	[6] 3.1
Cigar leaf:						
Oct. 1, 1933–Sept. 30, 1934	[7] 3.0	[7] 3.75	[7] 5.0	(3)	(3)	(3)
Oct. 1, 1934–Sept. 30, 1935	[7] 3.0	[7] 3.75	[7] 5.0	[2] 2.0	[2] 2.5	[2] 3.3
Oct. 1, 1935–Dec. 31, 1935	[5] 3.0	[5] 3.75	[5] 5.0	[5] 2.0	[5] 2.5	3.3

[1] Effective Aug. 1, 1934, to Jan. 31, 1935, and applied only to tobacco used in the manufacture of twist and plug chewing tobacco.
[2] Effective Feb 1, 1935, to Sept. 30, 1935.
[3] General rate applied.
[4] Effective Oct. 1, 1934, to Jan. 31, 1935, for tobacco used in the manufacture of twist and plug chewing tobacco.
[5] Established from findings of hearings held Sept. 9, 1935.
[6] Rate established by Congress in sec. 9 (b) (2) of the Agricultural Adjustment Act as amended.
[7] Established from findings of hearings held Sept. 8, 1933. The processing tax rate upon fire-cured tobacco used in the manufacture of cigars was as follows: Farm sales weight, 3 cents per pound; unstemmed processing order, 3.25 cents per pound; and stemmed processing order, 4.3 cents per pound.

RECEIPTS EXCEED BENEFIT PAYMENTS

At no time since the processing taxes became effective have benefit payments to growers exceeded the collections of such taxes. In the 27 months from October 1933 through December 1935 approximately $60,600,000 were collected from processing taxes in excess of collection costs and a reserve for floor-tax refunds; receipts from rebates for excess allotments were $1,907,777, and taxes collected under the Kerr Tobacco Act were $3,995,154, bringing total net collections to approximately $66,500,000.

Benefit payments disbursed during the 27 months to all tobacco growers were $53,254,837, which included county production control association expenses. Other administrative expenses in connection with the voluntary programs and the Kerr Tobacco Act totaled $4,466,800, bringing the total expenditures to $57,721,737. State, county, and local administration amounted to about 3.6 cents per dollar. Growers themselves, who directed the programs locally, received substantially more than half of the 3.6 cents. At the close of the year unpaid obligations were estimated at approximately $7,800,000.

Taking into account estimated expenses in connection with unpaid obligations, there still would be a balance after all obligations have been discharged.

II. GROWER PARTICIPATION IN THE PROGRAMS

Although the 1933 cigar-leaf program was initiated after planting was well under way, 17,668 growers, about three-fourths of those eligible, signed production-adjustment contracts. For the 1934 cigar-leaf crop, the number of contract signers increased to 22,641 (exclusive of 10,400 contracting growers in Puerto Rico) or over 90 percent of eligible growers of this kind of tobacco. In 1934, under all six tobacco programs, 284,519 production-adjustment contracts were in effect. The sign-up for all types of tobacco was reopened early in 1935 and the number of growers participating in 1935 in the various programs, including special base contracts, increased to 369,465. Of the total United States tobacco base acreage in 1935, 95.2 percent was covered by adjustment contracts. The number of contracts signed and the acreage involved in the 1934 and 1935 programs, according to kind of tobacco, are shown in table 60.

TABLE 60.—*Number, base acreage, and base production of tobacco production-adjustment contracts in effect during the crop years 1934 and 1935, by kinds of tobacco and by States*

Kind of tobacco and State	Regular 1934 contracts [1]			Contracts for 1934 with rider B [1]			Contracts effective for 1935 only			Special base contracts			Total 1935 contracts [2]			Percent of total base acreage under contract
	Number	Base acreage	Base production	Number	Base acreage	Base production	Number	Base acreage	Base production	Number	Base acreage	Base production	Number	Base acreage	Base production	
		Acres	*1,000 pounds*		*Acres*	*1,000 pounds*		*Acres*	*1,000 pounds*		*Acres*	*1,000 pounds*		*Acres*	*1,000 pounds*	
Flue-cured:																
Alabama							19	73	44	1	1	1	20	74	45	100.0
Virginia	11,693	93,239	58,631				2,776	10,029	6,552	1,923	3,954	2,451	16,392	108,486	69,062	98.5
North Carolina	74,107	697,408	523,991				7,061	21,043	14,887	7,159	15,661	10,864	88,327	737,598	558,052	98.5
South Carolina	13,222	100,775	78,596				1,532	3,969	2,680	1,492	3,216	2,200	16,246	108,432	84,229	97.3
Georgia	12,465	76,809	59,921				1,664	4,478	3,219	1,284	2,812	2,111	15,413	84,672	66,152	98.2
Florida	1,014	5,984	4,425				136	484	315	75	159	111	1,225	6,627	4,851	95.0
Total	112,501	974,215	725,564				13,188	40,076	27,697	11,934	25,803	17,738	137,623	1,045,889	782,391	98.4
Fire-cured:																
Kentucky	10,478	64,728	48,602	1,614	8,489	6,520	2,109	8,867	6,813	1,287	3,304	2,425	15,488	85,388	65,599	96.3
Tennessee	7,093	64,618	53,038	877	6,398	5,363	1,651	7,531	6,033	938	3,211	2,447	10,559	81,758	68,163	95.9
Virginia	6,276	30,144	21,538	3	12	11	1,607	4,768	3,559	546	1,011	704	8,432	35,935	26,314	97.8
Total	23,847	159,490	123,178	2,494	14,899	11,894	5,367	21,166	16,405	2,771	7,526	5,576	34,479	203,081	160,076	96.4
Burley:																
Kentucky	59,854	304,911	221,789	915	4,080	2,775	8,061	22,072	14,998	7,202	12,755	8,700	76,032	343,818	253,054	93.9
Tennessee	28,670	65,972	52,059	382	643	547	5,210	6,568	5,236	3,038	2,722	2,123	37,300	75,905	61,110	95.8
Ohio	5,393	16,248	11,949	10	42	30	994	2,343	1,696	504	855	639	6,901	19,488	14,556	93.3
Indiana	2,910	9,632	7,319	53	146	117	1,235	2,698	2,008	338	389	297	4,536	12,865	9,742	90.6
Virginia	5,741	10,339	10,026	2	2	2	1,011	1,019	964	685	595	552	7,439	11,955	11,764	97.3
North Carolina	4,155	8,038	6,037	15	40	35	1,067	1,167	974	325	288	248	5,562	9,533	7,435	97.0
Missouri	1,080	7,650	6,691				188	612	477	62	166	142	1,330	8,428	7,321	93.8
West Virginia	1,847	4,659	2,643	34	94	63	346	652	404	149	226	132	2,376	5,631	3,243	92.2
Kansas	87	600	465				5	9	7				92	609	472	92.8
Arkansas	5	18	8										5	18	8	
Alabama	16	182	128										16	182	128	
Total	109,758	428,249	319,114	1,411	5,047	3,569	18,117	37,140	26,764	12,303	17,996	12,833	141,589	488,432	368,833	94.2
Maryland	703	7,142	4,585										703	7,142	4,585	19.6

[1] Effective for 1935 also.
[2] Includes adjustments in acreage and production under Administrative Ruling No. 38.

TABLE 60.—*Number, base acreage, and base production of tobacco production-adjustment contracts in effect during the crop years 1934 and 1935, by kinds of tobacco and by States*—Continued

Kind of tobacco and State	Regular 1934 contracts			Contracts for 1934 with rider B			Contracts effective for 1935 only			Special base contracts			Total 1935 contracts			Percent of total base acreage under contract
	Number	Base acreage	Base production	Number	Base acreage	Base production	Number	Base acreage	Base production	Number	Base acreage	Base production	Number	Base acreage	Base production	
		Acres	*1,000 pounds*		*Acres*	*1,000 pounds*		*Acres*	*1,000 pounds*		*Acres*	*1,000 pounds*		*Acres*	*1,000 pounds*	
Dark air-cured:																
Kentucky	8,688	40,501	34,181	567	2,542	2,156	1,513	4,603	3,902	746	1,419	1,105	11,514	49,065	42,149	95.5
Tennessee	989	2,885	2,037	30	89	77	165	386	326	83	128	96	1,267	3,488	2,586	91.6
Indiana	42	99	91	37	92	88	167	304	290	5	9	9	251	504	478	94.7
Virginia	384	1,110	821				1,329	3,041	2,498	172	203	147	1,885	4,354	3,532	90.2
Total	10,103	44,595	37,130	634	2,723	2,321	3,174	8,334	7,016	1,006	1,759	1,357	14,917	57,411	48,745	94.8
Cigar-leaf:																
Pennsylvania	4,743	31,191	(3)				661	3,931	(3)	29	114	(3)	5,433	35,236	(3)	89.4
New York	376	1,454	(3)				15	65	(3)	1	6	(3)	392	1,525	(3)	97.2
Massachusetts	1,049	7,362	(3)				123	809	(3)	3	18	(3)	1,175	8,189	(3)	99.0
Connecticut	2,154	18,693	(3)				130	1,015	(3)	5	54	(3)	2,289	19,762	(3)	99.4
New Hampshire	27	124	(3)				1	3	(3)				28	127	(3)	99.2
Vermont	25	127	(3)										25	127	(3)	98.7
Minnesota	685	1,925	(3)				15	75	(3)				700	2,000	(3)	89.9
Wisconsin	8,544	37,324	(3)				1,226	5,350	(3)	1	2	(3)	9,771	42,676	(3)	90.1
Illinois	14	46	(3)										14	46	(3)	100.0
Ohio	4,824	26,978	(3)				1,021	6,350	(3)	97	361	(3)	5,942	33,689	(3)	95.4
Indiana	36	141	(3)				3	16	(3)				39	157	(3)	98.1
Georgia	46	265	(3)				12	73	(3)				58	338	(3)	84.5
Florida	118	2,474	(3)				40	239	(3)				158	2,713	(3)	90.4
Total continental United States	22,641	128,104	(3)				3,247	17,926	(3)	136	555	(3)	26,024	146,585	(3)	92.8
Puerto Rican	10,427	53,622	(3)				3,703	16,378	(3)			(3)	14,130	70,000	(3)	95.9
Grand total	289,980	1,795,416	1,209,571	4,539	22,669	17,784	46,796	141,020	77,882	28,150	53,639	37,504	369,465	2,018,540	1,364,630	95.2

[3] Base production not established under cigar-leaf tobacco contracts.

III. SPECIAL TYPES OF PRODUCTION-ADJUSTMENT CONTRACTS

Because of relatively favorable yields the 1934 production of many growers exceeded allotments under their contracts. In the case of flue-cured tobacco, growers were permitted to market their excess production upon the allotment cards of other producers who had not grown their full allotted production.

In order to be eligible for benefit payments, growers of Burley, fire-cured, and dark air-cured tobacco were required to furnish evidence that their excess production had been rendered unmerchantable. Usually the quantity of tobacco made unmarketable was low grade and worth more to the producer as fertilizer than its commercial value.

No data were gathered by the Administration showing the amount of such tobacco rendered unmerchantable. However, on the basis of returns shown by crop reporters, the crop reporting board estimated that 18,000,000 pounds of Burley, 8,500,000 pounds of fire-cured, and 2,000,000 pounds of dark air-cured tobacco were rendered unmerchantable by the producers.

Growers of fire-cured, Burley, and dark air-cured tobacco were given further opportunity to sign regular production-adjustment contracts before the opening of the 1934 marketing season and to receive the rental and benefit payments provided in their contracts, as well as allotments of tax-payment warrants with which to pay the taxes imposed under the Kerr Tobacco Act on the amount of tobacco sold under their contracts.

RIDER B CONTRACTS

After opening of the markets for the 1934 crop of fire-cured, Burley, and dark air-cured tobacco, growers who had not previously signed regular production-adjustment contracts were given opportunity to sign such contracts, supplemented by rider B, which constituted an agreement by the signers that they would not market more tobacco than their base production as determined under the provisions of the contract, and that they would receive no benefit payments with respect to the 1934 crop. Upon signing such contracts the producers received allotments of tax-payment warrants with which to pay the tax imposed under the Kerr Tobacco Act, on an amount of tobacco not exceeding the base production established under the contract. The same provisions with respect to the 1935 crop that were contained in the regular contracts, were applicable to that crop under the rider B contracts.

CONTRACTS FOR 1935 ONLY

Growers, especially owners of small farms, who had not considered it worth while to enter into production-adjustment contracts in 1934 on account of their comparatively small tobacco production or for other reasons, were given opportunity to sign regular contracts effective for 1935 only.

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A total of 46,796 contracts in this category, representing a base tobacco acreage of 141,020 acres, were entered into; growers of Burley tobacco accounted for 18,117 of these contracts, followed next by growers of flue-cured tobacco who signed 13,188 contracts. The average acreage per contract of this kind, effective for 1935 only, was approximately 3 acres, compared with an average of 6.2 acres covered by the other production-adjustment contracts.

SPECIAL-BASE CONTRACTS FOR 1935

Flexibility in application of the tobacco production-adjustment programs has done much toward adapting these programs to the widely varying conditions of individual farms and the status of individual growers. A distinctive measure in increasing this flexibility were the special-base contracts.

Special-base contracts for 1935 were offered to growers of flue-cured, fire-cured, Burley, dark air-cured, and cigar-leaf tobacco who did not grow enough tobacco in 1931, 1932, or 1933 to enable them to obtain equitable allotments under the regular tobacco production-adjustment contracts. A grower was eligible to sign a special-base contract if it could be established that (1) the farm which he operated at the time of application was equipped for tobacco production and that tobacco was grown thereon in one or more of the years 1929 to 1934, inclusive; or (2) the persons who lived on the farm in 1935 were engaged in the production of tobacco in the years 1929 to 1934 on other farms.

The special-base contract was specifically designed to make the benefits of the tobacco program available to producers who, owing to circumstances beyond their control, could not otherwise obtain an equitable allotment under the existing tobacco-adjustment programs. Consequently, the county committees were instructed not to recommend for approval any application for a special-base contract for a farm covered by a tobacco production-adjustment contract for which an equitable allotment could be established under a production-adjustment contract.

The total bases for flue-cured tobacco which might be established under special-base contracts in each State were limited to 4 percent of the total bases for flue-cured tobacco production-adjustment contracts in that State and to 5 percent for the other kinds of tobacco. It was further provided that in no event should the proportion the recommended base acreage bore to the land on the farm suitable for tobacco production be larger than the proportion for typical neighboring farms covered by regular tobacco-adjustment contracts.

Growers who signed special-base contracts for the 1935 crop were required to make the same reduction from their bases as were growers under regular contracts and were eligible to receive tax-payment warrants with which to pay the tax due under the Kerr Tobacco Act upon the tobacco sold under contract. They were also entitled to receive benefit payments in the amount of $6 per acre for each acre of difference between the tobacco-acreage allotment and their base tobacco acreage, this payment to be divided between the producer and any share tenants or share croppers.

IV. PROGRAMS FOR DIFFERENT TYPES OF TOBACCO

CIGAR-LEAF TOBACCO PROGRAM

Cigar-leaf tobacco usually comprises about one-eighth of the total United States tobacco production, and practically the entire crop is consumed domestically. About 32 percent of the domestic requirements of cigar-leaf tobacco is grown outside the continental United States, principally in Puerto Rico, Philippine Islands, Cuba, and Sumatra. Production within the United States is confined to five districts—New England (the Connecticut Valley), Pennsylvania-New York, Ohio-Indiana (the Miami Valley), Wisconsin-Minnesota, and Georgia-Florida.

As name indicates, the major share of cigar-leaf tobacco is used in the manufacture of cigars. Cigar-leaf tobacco lacking the requisite quality for this purpose, however, is used in the manufacture of scrap-chewing tobacco. The 13 types of cigar-leaf tobacco are classified as filler, binder, and wrapper, depending upon the use for which the principal part of the crop is usually suited.

At the time of the inauguration of the production-adjustment program, in July 1933, the surplus supply of cigar-leaf tobacco was so large that if no tobacco of these types had been produced for 2 years, there would have been no shortage of most grades and types of this tobacco at the end of that period. More than 80 percent of this surplus, which totaled around 240,000,000 pounds, has been eliminated in the 3 years during which the adjustment programs have been in effect. This has been due in part to a small increase in consumption but principally to the reductions made under production-adjustment contracts.

In 1934 growers were given opportunity to execute rider A, which became a part of the regular production-adjustment contract, and changed some of its provisions. The principal changes brought about by rider A were—

1. Optional rates of reduction were provided.
2. Additional methods of establishing a base acreage were provided.
3. The producer agreed that the number of share tenants and share croppers engaged in the production of tobacco in 1934 would not be reduced below the number so engaged in 1933 and that the second payment due under the contract would be divided between them and the producer in proportion to their respective interests in the crop.
4. Changes in rates of payment and supplemental payments were provided.

Prior to April 1, 1935, notice of exercise of privilege by the Secretary of Agriculture was mailed to contracting producers. This notice continued the contracts for filler and binder types for the 1935 crop year with the following provisions:

1. The allotted acreage was 66⅔ percent of the base acreage. An administrative ruling, issued concurrently, permitted growers to plant more than 66⅔ percent but not more than 75 percent of the base acreage, in which case the contracted acreage became 25 percent of the base acreage.
2. The contracted acreage could only be left idle, used for soil improvement, pasture, or forest trees, or used for products for home consumption.
3. Payments per contracted acre were provided as shown in table 61.

TABLE 61.—*Rates of rental and adjustment payments provided in 1935 cigar-leaf tobacco programs*

	Rate of adjustment payment per acre of contracted acreage									
	Rate of rental payment per acre of contracted acreage		If not more than 66⅔ percent of base acreage were planted				If more than 66⅔ percent but not more than 75 percent of base acreage were planted		If no tobacco were planted	
			Rate provided		Minimum rate					
	If rider A had been executed	If rider A had not been executed	If rider A had been executed (percent of average market va.ue per acre harvested)	If rider A had not been executed (percent of average market value per acre harvested)	If rider A had been executed	If rider A had not been executed	If rider A had been executed (percent of average market value per acre harvested)	If rider A had not been executed (percent of average market value per acre harvested)	If rider A had been executed	If rider A had not been executed
Pennsylvania type 41 and New York-Pennsylvania type 53	$24	$18	35	30	$14	$11	30	25	$48	$36
Miami Valley types 42, 43, and 44	15	12	35	30	9	8	30	25	30	24
New England types 51 and 52	47	36	35	30	28	21	30	25	94	72
Wisconsin types 54 and 55	20	15	35	30	12	9	30	25	40	30

The average annual income from the 1934 and the 1935 crops of cigar-leaf tobacco was about $3,385,000 above the 1932 level, notwithstanding the fact that the crop in each of these years was about half as large as the 1932 crop. The income from the sale of cigar-leaf tobacco during 1932–33 marketing year is estimated at $9,932,000; during 1934–35, at $12,504,000; and during 1935–36, at $14,124,000. In addition to the increase in income from tobacco sales, growers received rental and benefit payments of approximately $5,176,000 during 1934–35 and $3,197,000 during 1935–36.

Prices for cigar-leaf tobacco have shown marked improvement since production-adjustment programs have been in effect. Growers received an average of 7.8 cents per pound for the 1932 crop as compared with 11.2 cents for the 1933 crop and 16.5 cents for the 1934 crop. Present indications are that the price for the 1935 crop will average more than 17 cents per pound, approximately 2¼ times as much as the price received for the 1932 crop.

The cigar-leaf tobacco production adjustment contracts expired with the 1935 crop. Public hearings were held September 16, 1935, to obtain evidence as to the necessity for exercising the provisions of the Agricultural Adjustment Act in order to maintain prices at parity. From evidence submitted at this hearing, it was found that, with prevailing prices, such increases in production would result as to cause such stocks to accumulate as would depress prices to a distressingly low level. Accordingly, preparation of a new contract for the years 1936 to 1939 was begun.

Connecticut Valley wrapper type 61.—Connecticut Valley shade-grown tobacco is produced by a small number of growers most of whom are also dealers. Owing to the small number of producers

involved and the high value per acre of tobacco grown, the production of this type of tobacco was well adapted to adjustment through a marketing agreement with handlers. Prior to planting time for the 1934 crop, 93 percent of the handlers signed a marketing agreement. A license was issued to make the provisions of the agreement applicable to all handlers.

Under the provisions of this agreement the amount of Connecticut Valley shade-grown tobacco marketed in interstate and foreign commerce is confined to the quantity grown on an acreage announced by the Secretary of Agriculture as representing the acreage which he deems advisable to be planted in the coming crop year. Under this agreement the production allotment was limited to 5,268,000 pounds in 1934 and to 5,415,000 pounds in 1935. Prices rose from 59 cents per pound in 1932 to 64 cents in 1933 and to about 80 cents per pound in 1934.

On January 17, 1935, it was announced that the schedule of minimum prices for Connecticut Valley shade-grown tobacco submitted by the control committee had been approved by the Secretary of Agriculture and that the provisions of the marketing agreement would be continued for 1935. Under this agreement the 1935 production was limited to approximately the same level as annual consumption. Preliminary indications are that the prices for the 1935 crop will be around the 1934 level.

As required by the provisions of the marketing agreement for Connecticut Valley shade-grown wrapper tobacco, a meeting of growers, processors, and handlers of this type of tobacco was held in Washington on December 6, 1935, to discuss market conditions and the acreage advisable to plant in 1936. It is anticipated that the provisions of this marketing agreement will be continued with respect to the 1936 crop.

Georgia-Florida wrapper type 62.—In July 1933 a production-adjustment program for Georgia-Florida cigar-wrapper tobacco was formulated. In response to the Secretary's offer, almost all the growers of this type of cigar tobacco signed production-adjustment contracts for 1933, 1934, and 1935.

Under the adjustment program for Georgia-Florida cigar-wrapper tobacco the excessive supply on hand at the time of the program's inauguration—equivalent to 3.3 years' consumption—has been reduced to the normal level of 2 years' consumption requirements. Prices received by growers for this type of tobacco increased from an average of 35 cents per pound for the 1932 crop to 60 cents for the 1934 crop. Preliminary price data indicate that the average prices for the 1935 crop will exceed the 1934 level.

Puerto Rican filler type.—Puerto Rican tobacco is planted during October or November and harvested about February or March. Prior to September 1, 1935, notices continuing the Puerto Rican cigar-leaf tobacco production adjustment contracts into 1935–36 were mailed to growers by the Secretary of Agriculture. These notices contained the following provisions:

(1) The allotted acreage under contract was 65 percent of the base if two crops were harvested, or 80 percent of the base if only one crop was harvested.

(2) The minimum adjustment payment per cuerda (1 cuerda=1.01 acre) was reduced from the 1934–35 rate ($20) to $10.

The adjustment program for Puerto Rican tobacco, all of which is of the cigar-leaf type, was inaugurated in January 1934. Production is usually about one-sixth as great as that of cigar-leaf tobacco within continental limits of the United States. The 10,400 contracts in effect during 1934–35 covered approximately 90 percent of tobacco grown in Puerto Rico. Most of the Puerto Rican production is shipped to the United States.

Puerto Rican tobacco supplies were much in excess of consumption requirements when the production-adjustment program was initiated. The adjustment program has resulted in the removal of virtually all of this excess tobacco. Income to growers, exclusive of benefit payments, increased from $1,020,000 in 1932–33 to $3,300,000 in 1933–34, and to $4,590,000 in 1934–35. It is estimated that Puerto Rican growers will receive around $5,000,000 for the 1935–36 crop, excluding benefit payments. However, prices are still below parity.

FLUE-CURED TOBACCO PROGRAM

Flue-cured tobacco represents about one-half of the total United States tobacco production. It is the most important export type, inasmuch as approximately 60 percent of the flue-cured crop is customarily sold abroad. Flue-cured tobacco is grown in Virginia, North Carolina, South Carolina, Georgia, and Florida. About 72.5 percent of the domestic consumption of flue-cured tobacco is in the manufacture of cigarettes, about 22.5 percent in the production of smoking mixtures, and 5 percent in chewing tobacco.

The average annual income from flue-cured tobacco during 1934 and 1935 was increased approximately $121,000,000 above the 1932 depression level. The estimated farm income from the sale of flue-cured tobacco during the 1932–33 marketing season was $43,366,000. This was increased to $112,102,000 in 1933–34, $151,793,000 in 1934–35, and is indicated at about $162,000,000 in 1935–36. In addition, growers received rental and benefit payments totaling $12,134,000 during 1934–35 and $2,477,000 during 1935–36. Prices to growers were increased from 11.6 cents per pound in 1932 to 15.3 cents per pound in 1933, and 27.3 cents per pound in 1934. The average price for sales for the 1935 crop to December 31 is 20.6 cents per pound.

The supply of flue-cured tobacco at the time of the inauguration of the production-adjustment program was not particularly burdensome. However, because of the large crop and small carry-over, a greater portion of the supply than usual was in the hands of the growers. Prices prevailing early in the 1933–34 marketing season were low, largely because of international financial conditions, and marketing agreements were negotiated as immediate steps toward price improvement.

The crop grown under contract in 1934 was below world consumption by approximately the same amount that the 1933 crop exceeded world consumption. Therefore, world supplies for the 1934 marketing season were approximately in line with consumption requirements.

Due to the slow export movement from the 1934 crop, however, a larger portion than normal of the flue-cured tobacco on hand at the beginning of the 1935 marketing season was held in continental United States. A crop was planned for 1935 which would provide

an increase in world supplies in line with the increase in consumption.

It was estimated at planting time that the 1935 crop would total slightly more than 700 million pounds. A crop of this size would provide world stocks at the beginning of the 1936 marketing season approximately 60 million to 75 million pounds larger than those at the beginning of the 1935 marketing season. An increase of this amount would maintain stocks in line with the higher level of consumption expected to result from improved business and financial conditions. Early estimates of the crop were as low as 676 million pounds, but as the season progressed it became increasingly evident that the crop exceeded this amount. Growing conditions were particularly favorable and record high yields were realized by growers with the result that the crop was estimated on December 1, 1935, at 785,993,000 pounds.

Early in the marketing season it was deemed advisable to permit growers to sell a large part of the excess production. Accordingly an administrative ruling was issued August 5, 1935, 5 days after the opening of the marketing season, giving growers who produced an excess an opportunity to market their excess production upon allotments purchased from other producers who had grown less than their allotted production, provided both growers agreed to forego all adjustment payments. These transfers were made through the county offices. It was necessary for producers who had not grown as much as their production allotment to sell their entire crop before permitting other growers to use the unsold portion of their allotment cards.

It was found that this delayed the transfer of allotments and it was deemed necessary to provide a more flexible plan for selling excess production. As a result, an alternative plan was announced on August 14, whereby growers who had produced more tobacco than their production allotment could obtain additional allotments by making a rebate of 4 cents per pound for the additional allotment. Under this provision approximately 50 million pounds excess production of flue-cured tobacco was marketed to December 31.

The effective period of the flue-cured tobacco production adjustment contract expired with the 1935 crop. After an investigation of probable production and market conditions it was apparent that, with prevailing prices for flue-cured tobacco and other farm products, such increases in production would occur as to result in prices substantially below the parity level and that it, therefore, was necessary to exercise the provisions of the Agricultural Adjustment Act in order to maintain prices at parity. Accordingly, contracts were prepared for the years 1936 to 1939, the principal provisions of which are discussed later. These contracts were in the hands of growers by August 1, 1935, and prior to December 31, 1935, approximately 125,000 had been signed, covering around 90 percent of the total base flue-cured tobacco acreage.

BURLEY TOBACCO PROGRAM

Burley tobacco represents about one-fourth of the total United States tobacco production and ranks second in importance only to flue-cured. It is grown in Kentucky, Tennessee, North Carolina,

Virginia, West Virginia, Ohio, Indiana, Missouri, and Kansas. Approximately 95 percent of the Burley crop is consumed domestically. About 46 percent of the domestic consumption is in cigarettes, 40 percent in smoking tobacco, and 14 percent in chewing tobacco.

Each year from 1928 to 1933 more Burley tobacco was produced than was used by domestic manufacturers and exported. As a result, surplus stocks continued to pile up until at the time of the inauguration of the production-adjustment program surplus supplies amounted to approximately 300 million pounds, or more than the amount consumed each year.

Within 2 years production has been sufficiently reduced under the Burley tobacco-production adjustment program to result in approximately 35 percent of this surplus being removed.

During the same time the average annual farm income from Burley tobacco has been approximately 12 million dollars above the depression level. The income from the sale of the 1932 crop was $38,664,000. The income from the sale of the 1933 crop of Burley tobacco was approximately $800,000 above that of the previous year. In view of the increase in supplies, the income from the 1933 crop undoubtedly would have been substantially below that for the 1932 crop except for the marketing agreement negotiated with leading domestic buyers after growers had signified a willingness to cooperate in reducing production.

The farm income from the sale of the 1934 burley crop was $39,518,000, substantially the same as returns from the 60 percent larger crop of the previous year. Benefit payments totaling approximately $11,908,000 received during the marketing year brought the total income to $51,426,000. Sales from the 1935 crop made prior to December 31 indicate that the income from that crop will be around $46,800,000. This, with rental and benefit payments amounting to approximately $3,200,000, will bring the total income received from Burley tobacco during the marketing year to approximately $50,000,000, or $11,340,000 above that of 1932.

Prices for Burley tobacco have shown even more improvement than has income. Growers received an average of 12.5 cents per pound for the 1932 crop. From this level prices declined to 10.5 cents per pound in 1933. The average price received for the 1934 crop was 16.9 cents per pound and sales from the 1935 crop to December 31 indicate that the season average will be around 19 cents per pound.

In some regions Burley tobacco is produced upon farms where very small acreages are planted. Prior to planting time in 1935 an administrative ruling was issued, permitting growers whose base acreage was less than 1.2 acres to plant their base acreage or 0.8 of an acre, which ever was smaller, and to market their base production or 650 pounds, whichever was smaller, provided that the producer agreed that no payment would be made under the contract.

Growers of Burley tobacco whose production exceeded their allotments were given opportunity to market the excess under the provisions of an administrative ruling similar to that for flue-cured tobacco, except that the required rebate was at the rate of 3 cents per pound of such excess production.

A public hearing on Burley tobacco was held September 3, 1935, to obtain evidence on whether the exercise of the several powers conferred by the Agricultural Adjustment Act was necessary in order to effectuate the policy declared therein. It was found from the evidence submitted at this hearing that with the present prices for tobacco and other agricultural commodities, production, if unregulated, would increase to the extent that such surpluses would accumulate as to result in distressingly low prices to producers.

Accordingly, a production adjustment contract for the years 1936 to 1939 was prepared. The provisions of this contract are discussed later herein. These contracts were distributed to the county offices around December 10, 1935. Prior to that time field workers had received instructions regarding the sign-up of these new contracts. Such work in the county office as was necessary for determining bases for individual producers had been completed. The sign-up was begun soon after the contracts reached the field.

FIRE-CURED TOBACCO PROGRAM

Fire-cured tobacco comprises about 10 to 12 percent of the total United States tobacco production. It is grown in Kentucky, Tennessee, and Virginia. In recent years about two-thirds of the fire-cured crop has been exported, although formerly a much larger share was consumed abroad. It is used by domestic manufacturers principally in the manufacture of snuff, but to a small extent for cigars and smoking mixtures.

The production of fire-cured tobacco has been reduced materially under the production-adjustment programs. However, because of the continued decline in the use of these types, substantial changes in surplus supplies have not occurred.

Substantial improvement, however, has been made in the farm income from fire-cured tobacco. During the past 3 years average annual income from fire-cured tobacco has been increased about $5,800,000 above the depression level. Growers received $7,778,000 from the sale of the 1932 crop of fire-cured tobacco. Receipts from the sale of the crop were $11,634,000 in the marketing year for the 1933 crop and an additional $427,000 was received in benefit payments. Returns from the sale of the 1934 crop totaled $13,614,000 and benefit payments of $1,234,000 made a total of $14,848,000. Comprehensive price data on the 1935 crop are not available, but sales made during the latter part of 1935 indicate that the income from the crop will be around $12,330,000; another $1,480,000 will be received in the form of benefit payments.

Prior to planting time in 1935 an administrative ruling was issued, permitting growers whose base acreage was less than 1.2 acres to plant their base acreage or 0.8 acre, whichever was smaller, and to market their base production or 650 pounds, whichever was smaller. In accepting this provision, the producer agreed that no payment should be made under the contract for 1935. While a reduction by 20 percent from the base specified in these contracts was required for the 1935 crop, a further administrative ruling was issued allowing growers who reduced the acreage planted 30 percent below base

acreage to receive larger benefit payments than those originally prescribed.

It was found from evidence submitted at a hearing held September 3, 1935, that with present prices for fire-cured tobacco and for other agricultural commodities, the exercise of the several powers conferred by the Agricultural Adjustment Act was necessary in order to prevent production increasing to the extent that such surpluses would be accumulated as to result in distressingly low prices. Accordingly, a production-adjustment contract for the years 1936 to 1939 was prepared. The provisions of this contract are discussed later herein.

These contracts were distributed to the county offices around December 10, 1935. Prior to that time work necessary for the completion of these contracts had been done in the county offices and the sign-up was begun soon after the contracts reached the field.

DARK AIR-CURED TOBACCO PROGRAM

Dark air-cured tobacco accounts for less than 5 percent of the total tobacco production in the United States. It is grown in Kentucky, Tennessee, Virginia, and Southern Indiana. It is used principally in the manufacture of chewing tobacco and smoking mixtures. About one-fourth of the dark air-cured crop has been exported in recent years, as compared with one-half or more of production formerly sold abroad. Besides the manufacture of chewing and smoking tobacco, the principal outlet for dark air-cured is the putting up of rehandled tobacco known as Black Fat or Dark African for export.

In addition to the heavy decline in consumption abroad the United States consumption of the chewing-tobacco products manufactured principally from dark air-cured tobacco, has declined about 45 percent during the last 10 years. Inasmuch as dark air-cured tobacco production had not been brought in line with reduced consumption requirements, large surplus stocks had accumulated with heavy price-depressing effects. This was the situation when the production-adjustment program for the 1934 crop became effective.

After growers had signed production-adjustment contracts indicating a willingness to adjust production in 1934, but prior to any actual adjustment in supplies, a marketing agreement for the 1933 crop was negotiated with leading domestic manufacturers. As a result, the average price received by growers for the entire 1933 crop was 7.3 cents per pound compared with 4.2 cents for the 1932 crop and only 3.5 cents per pound for the 1931 crop.

Under the production-adjustment program for dark air-cured tobacco, the average farm price for the 1934 crop was 7.6 cents per pound or 1.2 cents below parity, and for the 1935 crop, preliminary figures indicate an average farm price around 8 cents per pound.

Growers' receipts from dark air-cured tobacco increased from $1,631,000 for the 1932 crop to $2,314,000 for the 1933 crop—owing in part to the marketing agreement; and under the adjustment program to $2,824,000 for the 1934 crop, excluding benefit payments. Early sales indicate a farm value for the 1935 crop of around $2,370,000.

Excess stocks of dark air-cured tobacco have been reduced by about one-third since the production-adjustment program became effective. Contracting growers agreed to reduce the 1934 crop below the base production specified in the adjustment contracts by 30 percent. This resulted in a crop below the level of consumption.

A reduction by 20 percent from the base was required in 1935. However, an administrative ruling was issued permitting growers to reduce the acreage planted 30 percent below the base and, in turn, to receive larger benefit payments than those originally stipulated. This brought the crop below the level of consumption, with a proportionate reduction in the excess stocks on hand.

MARYLAND TOBACCO PROGRAM

Maryland tobacco represents less than 2 percent of the total United States production. It is grown only in a comparatively small area in southern Maryland, and its chief domestic use is in the manufacture of cigarettes. Ordinarily about 40 to 45 percent of the Maryland tobacco crop is exported. However, in recent years the proportion of the crop exported has been much lower than this.

Total cash farm income received from the Maryland tobacco has increased from $3,833,000 for the 1933 crop to $4.215,000 in 1934 and to an estimated total of $5,138,000, exclusive of rental and benefit payments, for the 1935 crop.

Average farm prices for the Maryland tobacco crop increased from 16.8 cents per pound for the marketing year 1932–33 to 17.8 cents per pound for 1933–34, 18.8 cents for 1934–35, and to an estimated average of 19.5 cents per pound for the 1935 crop.

Notwithstanding the relatively small participation of growers in the Maryland tobacco adjustment program, excess stocks, particularly of the lower grades, have been reduced materially since the program was initiated. This reduction was due in part to the increase in consumption resulting to some extent from the lack of a processing tax on this type in 1934–35.

Each year from 1929 to 1932 more Maryland tobacco was produced than was consumed domestically and exported. This resulted in stocks at the beginning of the 1933–34 marketing year being more than twice the normal level. These excessive stocks, however, consisted almost entirely of the lower grades.

Consequently, the main objective of the production-adjustment program for Maryland tobacco has been to reduce production of the lower grades in order to facilitate the removal of the price-depressing surplus of those grades. About 85 percent of Maryland tobacco consumed in the United States is consumed in the manufacture of cigarettes for which the better grades of the crop are used. A part of the loss in exports of Maryland tobacco is, therefore, offset by the increase in domestic cigarette production.

Contracting growers under the production-adjustment program for the 1934 and 1935 crops of Maryland tobacco agreed to a reduction in acreage and production equal to 25 percent of the bases specified in the contracts. The adjustment program was so formulated as to appeal chiefly to the growers of the lower grades of tobacco to which the price-depressing surplus was largely con-

fined. Consequently, less than 20 percent of the total Maryland tobacco acreage was covered by adjustment contracts, in contrast with 95.2 percent of the total United States tobacco acreage under contract in 1935.

A formal referendum to determine whether growers desired a continuation in 1936 of the Maryland tobacco adjustment program was not conducted, inasmuch as resolutions were unanimously adopted requesting such continuance at a growers' meeting held in Upper Marlboro, Md., on September 2, 1935. This meeting was attended by grower-delegates from the principal producing counties representing virtually all the growers of this type of tobacco. A new contract for Maryland tobacco growers for 1936–39 was in process of formulation at the end of 1935.

V. THE KERR TOBACCO ACT

In response to requests from a large number of growers participating in the tobacco-adjustment programs, the Kerr Tobacco Act was passed by Congress and approved June 28, 1934. This act supplemented the tobacco programs inaugurated under the Agricultural Adjustment Act.

Under the Kerr Tobacco Act, there was levied a tax of 33⅓ percent of the gross first-sale value of all tobacco harvested in the crop year 1934–35 except Maryland, Virginia sun-cured, and cigar-leaf tobacco. It was provided, however, that the Secretary of Agriculture might prescribe a lower rate of tax but not less than 25 percent, if it were found that such lower rate would best effectuate the declared policy of the act. The minimum rate of 25 percent was applied to the 1934 crop.

The tax on first-sale value was paid by the seller, in the form of tax-payment warrants or tax stamps. Tobacco growers who have entered into adjustment contracts were issued tax-payment warrants with which to pay the tax on sales under contract. Noncontracting growers were required to purchase tax stamps to cover the tax levied on their tobacco sales.

Exception was made in the case of noncontracting growers who could not obtain an equitable allotment under contract. Such growers were enabled to receive tax-payment warrants with which to pay the tax on an amount of tobacco marketed by them not to exceed an aggregate of 6 percent of the total amount allotted to contracting growers in the county. Such allowances during 1935, however, were reduced to 3 percent of total allotments for each type, by an amendment to the act approved August 24, 1935. Two-thirds of such tax-payment warrants were reserved for issuance to noncontracting growers who receive warrants for 1,500 pounds of tobacco or less. This provision was designed to protect the interests of small growers.

Noncontracting growers could produce any quantity of tobacco desired, but their sales were taxed by an amount equal to the approximate difference between their return from higher prices prevailing as the result of the adjustment programs, and the returns that would have been received from the same quantity of tobacco without adjustments in production.

In its amended form the Kerr Tobacco Act provided that tax-payment warrants should be issued to persons who, because of religious or moral scruples, did not sign production-adjustment contracts. The amount of tobacco for which warrants could be issued in this manner was limited to the allotment such persons would have received if they had signed production-adjustment contracts.

WARRANTS ISSUED BY REPRESENTATIVES OF SECRETARY

Field assistants, as representatives of the Secretary of Agriculture, were located at all tobacco markets to issue tax-payment warrants. Upon the sale of his tobacco the grower presented to the field assistant the allotment card issued to him by the county committee. The field assistant then issued a tax-payment warrant showing the producer's State, and county code and contract serial number, sale value of the tobacco, and the name of the warehouse in which sold. The tax-payment warrant was then surrendered by the producer to the warehouseman who was required to file with the collector of internal revenue a return covering the sale.

During the 1934–35 season, a total of 1,401,957 tax-payment warrants were issued, covering 851,100,000 pounds of tobacco. Taxes aggregating $3,231,000 were paid upon 101,200,000 pounds of tobacco sold by noncontracting growers. The number of tax-payment warrants issued, the amount of tobacco upon which the tax was paid with tax-payment warrants, the amount of tobacco upon which tax was paid in cash, and the amount of the tax paid, by types, for the 1934 crop are shown in table 62.

TABLE 62.—*Tobacco sales from the 1934 crop, of types to which the Kerr Tobacco Act was applicable*

Type	Number of tax-payment warrants issued	Total sales	Sales by contracting producers	Sales by noncontracting producers			Amount of tax collected
				Total	Tax-paid in cash	Tax-paid in warrants	
		Million pounds	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*	*1,000 dollars*
Flue-cured	1,065,543	557.2	538.4	18.8	10.6	8.2	658
Fire-cured	108,652	122.9	90.8	32.1	27.5	4.6	520
Burley	201,568	234.6	174.3	60.3	52.6	7.7	1,892
Dark air-cured	26,194	37.6	23.8	13.8	10.5	[1] 3.3	161
Total	1,401,957	952.3	827.3	125.0	101.2	[1] 23.8	3,231

[1] Includes 2,000,000 pounds sold by noncontracting growers in Virginia upon which tax was not applicable

Because of relatively favorable yields the 1934 production of many growers exceeded allotments under their contracts. In the case of flue-cured tobacco, growers were permitted to market their excess production upon the allotment cards of other producers who had not grown their full allotted production.

In order to be eligible for benefit payments, growers of burley, fire-cured, and dark air-cured tobacco were required to furnish evidence that their excess production had been rendered unmerchantable. Usually the quantity of tobacco made unmarketable was low

grade and worth more to the producer as fertilizer than its commercial value.

No data were gathered by the Administration showing the amount of such tobacco rendered unmerchantable. However, on the basis of returns shown by crop reporters, the crop reporting board estimated that 18,000,000 pounds of Burley, 8,500,000 pounds of fire-cured, and 2,000,000 pounds of dark air-cured tobacco were rendered unmerchantable by the producers.

REFERENDA ON CONTINUANCE OF KERR TOBACCO ACT

During December 1934 and January and February 1935 referenda were conducted, as prescribed by the Kerr Tobacco Act, to determine whether tobacco growers favored the continuance of the tax. Growers controlling 91.9 percent of the land customarily engaged in the production of flue-cured, fire-cured, Burley, dark air-cured, and cigar filler and binder tobacco voted in the referenda. Of these, 96.4 percent voted for the continuance of the provisions of the act. The results of the referenda are shown in table 63.

TABLE 63.—*Results of growers' referenda on continuance of tobacco sales tax under the Kerr Tobacco Act*

Kind of tobacco	Acreage customarily engaged in production of tobacco	Percentage of total land voted	Percentage of voted land voting in favor of tax
Flue-cured	929, 100	96. 3	99. 1
Fire-cured	188, 400	79. 7	92. 6
Burley	493, 800	90. 3	95. 7
Dark air-cured	59, 000	89. 8	92. 5
Cigar filler and binder types	142, 577	86. 8	87. 8
Total all types	1, 812, 877	91. 9	96. 4

For the 1935–36 marketing year the tax at the full rate of 33⅓ percent of the gross sale value was in effect on all types except Maryland type 32, Georgia and Florida types 45 and 62, Connecticut Valley shade-grown type 61, and Puerto Rican type 46.

VI. REFERENDA IN 1935 ON CONTINUANCE OF TOBACCO ADJUSTMENT PROGRAMS

As all the original tobacco production adjustment contracts terminated with the 1935 crop, referenda were conducted by the Agricultural Adjustment Administration in June and July 1935 to determine whether the growers desired continuation of the tobacco adjustment programs after 1935.

All owners, renters, share tenants, and share croppers participating in tobacco adjustment programs and noncontractors who actually produced tobacco in 1935 were given opportunity to vote on the question: "Are you in favor of a tobacco production adjustment program to follow the present one which expired with the crop year 1935?"

Nearly three-fourths of the eligible growers voted, and of these, 95.6 percent favored continuation of the adjustment programs. For flue-cured tobacco, which represents about one-half of the entire United States production, 83.3 percent of the eligible growers voted, with 98.2 percent expressing a desire for continuance of the flue-cured tobacco program. Results of the referenda by States are shown in table 64.

TABLE 64.—*Tobacco referenda on continuing the flue-cured, Burley, fire-cured, dark air-cured, and cigar-leaf tobacco production-adjustment programs*

Kind of tobacco and State	Total number of eligible voters	Number of "yes" votes	Number of "no" votes	Number of eligible voters not voting	Percent of eligible voters voting	Percent of "yes" votes in total votes cast
Flue-cured:						
Florida	1,864	1,496	86	282	84.9	94.6
Georgia	22,009	14,723	1,185	6,101	72.3	92.6
South Carolina	25,845	18,106	398	7,341	71.6	97.8
North Carolina	150,939	130,622	1,432	18,885	87.5	98.9
Virginia	25,223	19,808	307	5,108	79.7	98.5
Total	225,880	184,755	3,408	37,717	83.3	98.2
Burley:						
Kentucky	114,103	72,063	3,876	38,164	66.6	95.0
Tennessee	45,624	22,898	2,011	20,715	54.6	91.9
Ohio	6,653	3,332	510	2,811	57.7	86.7
Indiana	10,232	4,370	462	5,400	47.2	90.4
Missouri	1,595	647	126	822	48.5	83.7
West Virginia	2,916	1,726	380	810	72.2	82.0
Virginia	9,016	5,578	574	2,863	68.2	90.7
North Carolina	7,731	3,687	325	3,719	51.9	91.9
Kansas	77	50	9	18	76.6	84.7
Total	197,946	114,351	8,273	75,322	63.7	93.3
Fire-cured:						
Kentucky	24,199	14,137	1,156	8,906	63.2	92.4
Tennessee	15,978	8,959	958	6,061	62.1	90.3
Virginia	11,947	7,263	524	4,160	65.2	93.3
Total	52,124	30,359	2,638	19,127	63.3	92.0
Dark air-cured:						
Kentucky	14,315	10,334	628	3,353	76.6	94.3
Tennessee	1,970	876	151	943	52.1	85.3
Virginia	2,022	1,075	177	770	61.9	85.9
Total	18,307	12,285	956	5,066	72.3	92.8
Cigar-leaf:						
Pennsylvania	6,257	4,756	457	1,044	83.3	91.2
New York	421	361	30	30	92.9	92.3
Ohio	6,050	2,360	218	3,482	42.5	91.5
Indiana	44	37	1	6	86.4	97.4
Connecticut	2,418	2,050	60	308	87.3	97.2
Massachusetts	1,185	803	28	354	70.1	96.6
New Hampshire	29	18	1	10	65.5	94.7
Vermont	25	24	1	0	100.0	96.0
Wisconsin	10,189	8,107	376	1,706	83.3	95.6
Minnesota	623	538	20	65	89.6	96.4
Total	27,251	19,054	1,192	7,005	74.3	94.1
Total all programs	521,508	360,804	16,467	144,237	72.3	95.6

VII. CONTRACTS PROPOSED FOR 1936–39

Inasmuch as 95.6 percent of the growers who voted in the referenda conducted in June and July 1935 favored the continuation of the programs, new contracts were prepared for flue-cured, fire-cured,

Burley, dark air-cured tobacco, the cigar-leaf types, and Maryland tobacco.

The new contracts were to have applied to the crop years 1936 to 1939, inclusive, but under the stated terms might be terminated by either the grower or the Secretary of Agriculture at the end of any contract year. The Secretary also might suspend the contracts with respect to any contract year by proclamation made not later than 3 months before the beginning of such year.

The acreage and production bases already established were carried forward with such downward or upward adjustments as would result in more equitable bases where such changes were indicated Provision was made for cancelation of a producer's contract if the acreage planted to tobacco on his farm in any 2 consecutive contract years was less than 50 percent of his acreage allotment. In such cases, the contract might have been terminated at the end of the first year without affecting the payment for that year. A new contract for the second year might have been entered into with the producer specifying a base in line with the acreage planted.

The producer would have agreed to limit the acreage planted to tobacco and quantity marketed to an allotment prescribed by the Secretary of Agriculture. The minimum percentages of this base which could have been prescribed as allotments for the various types were as follows:

	Percent
1. Flue-cured	65
2. Fire-cured	50
3. Burley	50
4. Dark air-cured	60

It was stipulated that on each farm covered by the new tobacco contracts an acreage equal to the number of acres taken out of tobacco production should be used for soil-improving or erosion-preventing crops, pasture, fallow, or forest trees, in addition to the acreage normally devoted to such uses, or for food or feed crops for home consumption. This provision was intended to encourage soil conservation and to improve soil fertility.

In lieu of both rental and benefit payments prescribed by former production-adjustment contracts, the new 1936–39 contracts provided for one payment only at the end of each contract year. This payment was to have been at such rate as would have tended to give growers not less than parity price for that portion of their crop that was equal to domestic consumption.

The 1936–39 contract provided for a minimum payment for Burley tobacco in 1936 of not less than $2.25 per 100 pounds of the specified base production; for dark air-cured tobacco, the corresponding minimum payment specified was not less than $1.50 for 100 pounds. No minimum payments for the 1936 crop were specified in the new contracts for fire-cured and flue-cured tobacco. By the end of 1935, approximately 85 percent of all growers of flue-cured tobacco had signed new 1936–39 contracts, the sign-up for Burley, fire-cured, and dark air-cured was well under way.

The new contracts also stipulated that the number of share tenants and share croppers engaged in growing tobacco on the farm covered by contract should not be reduced below the number in 1935 and

that their percentage of tobacco acreage likewise should not be reduced below the figure for 1935 and contracts for Maryland and cigar-leaf tobacco were being prepared.

CONTRACT PROGRAMS AND KERR ACT TERMINATED

Production-adjustment programs for the various types of tobacco were terminated as the result of the Hoosac Mills decision of the Supreme Court on January 6, 1936. The Kerr Tobacco Act, enacted June 28, 1934, as an auxiliary aid to the success of the tobacco-adjustment-contract programs, was not affected by this decision and remained in effect until its repeal by Congress on February 10, 1936.

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CHAPTER 14

SUGAR

SALIENT FACTS OF THE SUGAR PROGRAM

1. United States consumption (total quotas):	
1934 (actual) short tons raw value	6,331,585
1935 (actual) do	6,632,516
1936 (preliminary estimate) do	6,609,000
2. Ratio of quotas to consumption (average 1934–36):	
Continental sugar beets and sugar cane percent	28.2
United States insular areas (Philippine Islands, Puerto Rico, Hawaii, and Virgin Islands) percent	42.6
Cuba and other foreign countries do	29.2
3. Rate of processing tax imposed on sugar cents per pound (raw value)	½
4. Estimated average annual processing tax collections dollars	66,000,000
5. Estimated total benefit payments paid or to be paid do	91,900,000
6. Estimated number contracts signed by producers:	
Continental beet and cane	87,000
Offshore areas	28,000

During 1935 the sugar program made possible by the Jones-Costigan amendment to the Agricultural Adjustment Act which was approved in June 1934, became fully operative with respect to all principal areas supplying the United States sugar market. The year 1935, therefore, was the first full year of operation of the program.

Quota regulations of market supplies, which began in June 1934, continued in effect. Production-adjustment programs were in effect for the continental sugar-beet and sugarcane producers and for sugarcane producers in the Philippine Islands, Puerto Rico, and Hawaii. The transition from the high level of sugar production reached in the Philippine Islands in 1934 to the lower basis established by the Philippine Independence Act was accomplished, and burdensome surpluses in those islands and in Puerto Rico were removed.

The principal phases of the sugar-adjustment program affected by the decision of the United States Supreme Court in the Hoosac Mills case on January 6, 1936, were those regarding the continental production-adjustment contract programs, which were discontinued after the decision.

The quotas on sugar marketed in the United States from the various producing areas remain in effect.

I. ADJUSTMENT OPERATIONS IN THE SUGAR INDUSTRY

The fundamental adjustments in production and the control of supplies were reflected in higher prices. The price of raw sugar, duty paid, which was 3.0 cents a pound in June 1934, ranged between 3.3 cents and 3.6 cents a pound during the latter part of 1935. The result of this price improvement was increased returns to sugarcane and sugar-beet producers over what they would otherwise have received. In addition, the producers received benefit payments both in 1934 and 1935. A total cash income of approximately 75 million dollars to continental sugar beet and sugarcane producers for 1935 as compared with approximately 56 million dollars in 1932 indicates a substantial improvement in the condition of farmers producing these important crops. Offshore producers likewise gained from higher sugar prices and from the benefit payments made in connection with the adjustment programs.

A processing tax of one-half cent a pound, raw value, provided funds to finance the program. This tax was imposed at the same time that the tariff was reduced by an equivalent amount by the President under authority of the Tariff Act of 1930. The program thus far has resulted in little additional cost to the consumer as compared with costs in previous years. The average retail price of sugar in the United States for 1935 was 5.7 cents a pound, as compared with an average price of 5.6 cents a pound during 1934 and 5.4 cents a pound for 1933. The average price for the 5-year period 1930–34 was 5.6 cents a pound.

Employment of children under 14 years of age was prohibited by contract provisions under the sugar beet and sugarcane programs and minimum wages for labor were established for important producing areas in Colorado, Nebraska, Wyoming, and Montana.

PROGRAM INCLUDED TWO PRINCIPAL PHASES

The two principal phases of the sugar program have been: (1) The quota system, which regulated marketings of sugar, and (2) the production-adjustment programs, which sought to balance supplies with market demand. The production-adjustment measures have been, in effect, a series of production-adjustment programs, and they have differed among the different areas according to the situation in each area.

These adjustment programs were undertaken for: (1) Sugar beets in the United States, (2) Louisiana sugarcane, (3) Florida sugarcane, (4) sugarcane in the United States used for sirup production, (5) the Philippine Islands, (6) Puerto Rico, and (7) Hawaii.

ADJUSTMENT PROGRAMS FOR SEVEN AREAS

Following are brief descriptions of the adjustment programs as undertaken for the various areas:

Sugar beets.—A 2-year program, including 1934 and 1935, required adjustment only on the 1935 crop, but provided benefit payments for 1934 and 1935. In addition, the program included a refund payment to producers on their 1933 crop where there was

evidence that their returns from processors for that crop had been reduced by reason of the imposition of the processing tax. The contract was drawn in such a manner that it could be extended to cover the 1936 crop if the Secretary so desired. Notice of extension of the contract to cover the 1936 crop was received in the field shortly before the decision in the Hoosac Mills case.

Louisiana sugarcane.—A 2-year program for 1934 and 1935 provided for production-adjustment for 1935 only, but with benefit payments for 1934 and 1935. A 1936 program for this area was contemplated.

Florida.—A 2-year program for 1934 and 1935, similar to the Louisiana program, was developed. Combination of this program with the 1936 Louisiana program was contemplated.

Sirup program.—A 2-year program for 1934 and 1935 which might also have been extended to cover the 1936 crop was offered to producers in the fall of 1935. It provided benefit payments for both years in consideration of limiting acreage production and marketings for 1935.

Philippine Islands.—A 2-year program was put in effect for the crop year 1934–35 and 1935–36 with benefit payments to cooperating producers on the 1934–35 crop, but with final payments for that year conditioned upon an adjusted-production level for the 1935–36 crop.

Puerto Rico.—A 2-year program was put in effect for 1934–35, and 1935–36, with benefit payments on both crops, but with the major adjustment in the 1934–35 crop.

Hawaii.—A 3-year program was under way for 1935, 1936, and 1937, with benefit payments for each year, conditioned upon specified production for each year.

BASIS OF THE PROGRAM

The sugar-adjustment programs were undertaken in 1934 when unprecedented depression in the world sugar markets and unrestricted production in and marketing from the areas supplying the United States market (except Cuba) had resulted in price-depressing surpluses and record low prices in the sugar market, with consequent shrinkage in the income of producers.

Nearly three-fourths of the sugar consumed in the United States originates in areas outside the continental limits of the country. This made the problem of adjusting sugar production and supplies to consumers' needs particularly complex. Approximately 28 percent of the total United States requirement is produced in the continental United States, 12 percent in Puerto Rico, 14 percent in Hawaii, 15 percent in the Philippine Islands, and 29 percent in Cuba. The remaining 2 percent comes from the Virgin Islands and from numerous foreign countries in small quantities.

Under the protective tariff on sugar, sugar-beet production expanded in the United States until it involved approximately 1 million acres and an average annual production of approximately 1,200,000 tons of sugar. Sugarcane production, chiefly in Louisiana, reached about 200,000 acres and cane-sugar production averaged about 250,000 tons annually. Approximately 100,000 farmers secure the major portion of their income from the production of these two

crops in the continental United States and a primary objective of the sugar program was to secure a more stable income for these producers.

The tariff had provided effective protection to continental producers in former years when the rate of duty was moderate, when the world price was satisfactory, and when Cuba was the principal external source of supply for the American sugar market. It lost much of its effectiveness for continental producers when world prices collapsed.

Production in Hawaii, Puerto Rico, and the Philippines, which also received the benefit of the tariff, increased at an extremely rapid rate in the period 1921–34, following several increases in the rate of duty. These areas increased their shipments of sugar to the United States, mainly at the expense of Cuban producers. This was accompanied by a decline in the volume of agricultural and industrial exports from the United States to Cuba, and increasing United States surpluses of such commodities as wheat, pork, and lard. As the natural result of increasing sugar stocks, prices fell further.

SUGAR LEGISLATION OF 1934

The sugar legislation of 1934 was designed to correct this situation. Known variously as the Jones-Costigan amendment, the Jones-Costigan Act, and the Sugar Act of 1934, this legislation, based upon recommendations of the President, provided, in general, for:

1. Adjusting available supplies for marketing to consumption requirements by establishing quotas for the various producing areas.
2. Adjustment of production in the various producing areas to bring the amount of sugar produced within the limits of the quotas.
3. Financing this adjustment through a processing tax on sugar.

The main outlines of the sugar adjustment program are:

(a) *The Quota System* determines the amounts of sugar which may be marketed in the United States during each year from all areas supplying the United States market.

(b) *Marketing Allotments* for the continental sugarcane and sugar-beet industries and the insular sugarcane industries are included in the quota scheme. These allotments are assigned to individual processors or producers and thus implement the quotas established for the various areas. In addition, individual marketing allotments are harmonized with production in the various mill areas and factory districts, insofar as possible.

(c) *Production-Adjustment Programs* have been undertaken in the various areas to remove surpluses in the offshore areas and to maintain production in the continental areas at a level consistent with quota requirements.

(d) *Benefit Payments* are made to producers for adjusting or maintaining their production to the extent required to balance consumption with production and for maintaining certain labor standards.

THE QUOTAS

The substantial surplus of sugar above consumption requirements existing both in the continental United States and in the insular areas at the time of the enactment of the Jones-Costigan Act in 1934 was finding its way to the continental markets at a rapid rate. The growers in the United States, moreover, were handicapped by one of the most serious droughts in many years, and, therefore, faced the prospect of a small crop with a price for this small crop driven to new low levels because of exceptionally heavy production and

shipments of sugars from the insular areas, and because of the existent surplus on the market.

The quota provisions of the Act were put into operation shortly after the enactment of the Jones-Costigan Act.

The Jones-Costigan Act in effect guaranteed the domestic beet sugar and cane sugar industries minimum amounts of sugar to be marketed each year, by means of statutory quotas, in the amounts of 1,550,000 short tons of beet sugar, and 260,000 short tons of cane sugar. The act further established for the United States a base consumption figure of 6,452,000 short tons of sugar, raw value, above which allotment of increased consumption to continental quotas was to be made. It provided that if the consumption rose above this figure, 30 percent should be allotted to the quotas of the continental sugar-beet and sugarcane producers.

The quotas established for 1934 totaled 6,476,000 short tons. This was 24,000 tons more than the base consumption figure. Of this amount, 30 percent, or 6,166 tons were added to the beet-sugar marketing quota and 1,034 tons were added to the continental cane-sugar marketing quota. The quotas for 1935 totaled 6,359,261 short tons and for 1936, 6,434,088 short tons.

The Jones-Costigan Act provides for revision of the consumption estimate at such intervals as the Secretary of Agriculture may find necessary in order to meet actual requirements of consumers. Whenever it is found necessary to increase the consumption estimate, the various producing areas receive proportionate increases in quotas. It is also provided in the Jones-Costigan Act that if any area is unable to deliver its full quota of sugar, the Secretary of Agriculture may prorate this deficiency among the other areas on the basis of their respective quotas and ability to supply the deficiency. In the event that an increase in quota to any area could not be supplied by that area, the quantity for such area could be reallotted to the other areas which are able to supply the deficiency.

CONGRESS ESTABLISHED QUOTA FORMULA

The formula which Congress established for determining the quotas for the offshore areas which furnish sugar to the United States, after domestic areas had been provided for by statutory quotas, was the use of the data on importations for the three most representative years, out of the period 1925 to 1933.

The quotas established in 1934 were based upon the best information available at that time. In 1935, a comprehensive and official investigation of the importations of sugar into the United States during the "three most representative years" was made and on the basis of information obtained in this study, both the 1934 and 1935 quotas were revised. These revisions applied only to the individual quotas for the various areas and did not affect the total offshore quota for either year, nor did they change the quotas for the continental sugar-beet and sugarcane producers. The revisions resulted in decreases in the quotas for Cuba, the Philippine Islands, and the Virgin Islands, and in increases for Hawaii, Puerto Rico, and the full-duty countries. Table 65 gives the quotas for 1934 and 1935, as revised, and the quotas for 1936, as announced on December 28, 1935.

TABLE 65.—*Sugar quotas for producing areas 1934, 1935, and 1936*

Area	Quota in short tons, 96 degrees raw value		
	1934	1935	1936
Cuba	1,866,482	1,822,596	1,852,575
Philippines	1,005,602	981,958	998,110
Puerto Rico	807,312	788,331	801,297
Hawaii	948,264	925,969	941,199
Virgin Islands	5,304	5,179	5,264
Full-duty countries	25,836	25,228	25,643
United States sugar beets	1,556,166	1,550,000	1,550,000
United States sugarcane	261,034	260,000	260,000
Total	6,476,000	6,359,261	6,434,088

The quotas have regulated the supply of sugar which is marketed in the United States each year. When the quota for a given area is filled, no more sugar from that area is allowed to enter the United States for sale during the remainder of the year, except under bond in accordance with regulations of the Secretary of Agriculture.

It became apparent in October 1935 that the marketings of sugar as contemplated by the quotas would exhaust the normal year-end stocks of refiners and would result in the closing of some refineries during part of December unless remedial action was taken. In order to regulate withdrawals of sugar under bond by refiners during December in anticipation of such a situation (a procedure authorized under sec. 201 (b) of General Sugar Order No. 1, revision 1, of Mar. 16, 1935), it was announced on October 19, 1935, that processors and others desiring to make use of this provision of the order during December 1935 should apply to the Sugar Section of the Agricultural Adjustment Administration for permission to withdraw sugars under bond in accordance with the terms of section 201. Applicants were required to submit data showing why it was deemed necessary to have such sugars released from customs custody. Under this procedure 127,574 tons of sugar were withdrawn from customs custody during December 1935, including 59,920 tons from Cuba, 30,705 tons from Hawaii, 24,427 tons from Puerto Rico, and 12,522 tons from the Philippine Islands.

PRODUCTION-ADJUSTMENT MEASURES

In addition to controlling supplies of sugars reaching the continental market, the sugar program sought to adjust the actual production of sugar in order to prevent the accumulation of the surpluses which tend to depress the market price and lower the income of producers. Production has been regulated both in the continental United States and in the insular areas. The following pages summarize the progress of the various programs.

II. SUGAR-BEET PROGRAM

Number contracts approved	74,500
Percent acreage under contract	100
States affected	19
Average acreage planted:	
(1928–32)	773,000
1933	1,036,000
1934	945,000
1935	847,000

Acreage allotment	975,000
Beet sugar production (short tons, raw value):	
Average 1928–32	1,247,000
1933	1,765,000
1934	1,241,000
1935	1,258,000
Marketing allotment under sugar plan (tons of sugar, raw value)	1,550,000
Prices received by farmers for sugar beets per ton from processors:	
Average 1928–32	$6.51
1933	$5.13
1934	$5.16
1935 (Dec. 1 estimate)	$5.15
Benefit payments per ton	$1.75
Farm value sugar beet crop, plus benefit payments for 1934 and 1935:	
Average 1928–32	$52,526,000
1933	$56,599,000
1934	$58,200,000
1935 (preliminary estimate)	$55,500,000

The most important sugar production-adjustment program in the continental United States has been in sugar beets. This program differs materially from others undertaken by the Agricultural Adjustment Administration in that instead of requiring a uniform percentage reduction on the part of all farmers as in the case of wheat, cotton, and other commodities, acreage allotments to producers have been worked out on the basis of the production history of the individuals involved so as to conform with the annual marketing allotment assigned to the processing plant to which the producer delivers his crop. In view of the fact that the statutory quota for the marketing of beet sugar was in excess of the annual production history of the domestic beet-sugar industry, except for 1933, farmers were not required to reduce their production of sugar beets in order to cooperate in the program.

After the national quota of 1,550,000 tons for beet-sugar marketings was established, it was necessary to determine each processor's share of the quota. These shares, known as marketing allotments, were determined in 1934 soon after the act became effective. New allotments were made for 1935. The allotments gave each processor his pro rata share of the national marketing quota.

ACREAGE ALLOTMENTS TO INDIVIDUAL GROWERS

After the marketing allotments to beet sugar processors were made, it was necessary to make acreage allotments to individual beet growers in order to adjust production to the marketing allotments. These acreage allotments were made through the adjustment contracts.

The sugar-beet contract was offered to farmers in the fall of 1934, and covered the crop years 1934 and 1935, with a provision that it might be extended to 1936. Benefit payments were made on both crops. There was no adjustment for the 1934 crop, but acreage allotments were made for 1935. These allotments totaled approximately 975,000 acres. However, because drought conditions prevailed in much of the territory at planting time in 1935 the planted acreage amounted to only approximately 847,000 acres.

Beet-sugar production from the 1934 crop was estimated at 1,241,000 short tons, raw value, and for 1935 it is estimated that the production will be about 1,258,000 tons.

On January 1, 1934, after the record 1933 crop had been processed, the supplies of beet sugar on hand totaled nearly 1,500,000 short tons, raw value. As production was less than marketings during 1934 and 1935, the supplies on hand on January 1, 1936, were reduced to approximately 925,000 short tons, raw value.

PARITY RETURN PROVIDED FOR IN CONTRACTS

The sugar-beet adjustment contract provided that farmers were to receive benefit payments sufficient to bring the return from their beets to parity on the average, which is that return necessary to give a ton of sugar beets the same purchasing power that a ton of beets had in the pre-war base period. For 1934, the parity price was $6.79 a ton. Parity return consisted of the sum of the benefit payments and the return received from the sale of the beets.

For 1934 the benefit payment was computed at $1.75 a ton on the estimated or actual production of cooperating producers, as the estimated average price paid by processors was $5.04 a ton. Of this, $1 a ton was paid as an advance payment and the remainder was the final payment. Payments were made on slightly over 11 million tons and the total payments on the 1934 crop are estimated at $19,620,000.

For 1934, the benefit payments were made on the actual production of each producer, or upon an estimate of his production, based on his average yields and the acreage planted. For 1935, payments were made only on actual production. If producers planted their crops, but were unable to harvest them because of general, natural, crop damage, they receive "deficiency" payments of $1 a ton on estimated production of the acreage which was abandoned.

The Jones-Costigan Act provided that if producers received less money for that portion of their 1933 sugar which was unsold when the processing tax went into effect, because of imposition of the tax, refunds were to be made to them. These refunds were made and totaled approximately $2,600,000.

Sugar-beet production adjustment payments by States, are shown in table 66.

TABLE 66.—*Sugar-beet production-adjustment payments, by States*

State	1933 refund payments [1]	Total 1934 payments [1] [2]	Estimated 1935 advance payments [3]
California	$222,000	$2,895,000	$1,259,000
Colorado	725,000	4,473,000	1,614,000
Idaho	312,000	1,198,000	493,000
Michigan	134,000	2,434,000	933,000
Montana	243,000	1,503,000	510,000
Nebraska	280,000	1,770,000	543,000
Ohio	7,000	810,000	362,000
Utah	348,000	1,398,000	484,000
Wyoming	118,000	1,308,000	472,000
Other States [4]	251,000	1,834,000	902,000
Total	2,640,000	19,623,000	7,572,000

[1] Statistics available by factory districts only. Total payments as shown are not necessarily paid to growers whose land is located in the State indicated, as some growers sell their sugar beets to factories located in another State.

[2] Local administrative expenses not deducted.

[3] On basis of 80 cents a ton.

[4] Includes payments to growers in States of Indiana, Illinois, Wisconsin, Iowa, Minnesota, North Dakota, South Dakota, Kansas, New Mexico, and Washington.

PROGRAM INCREASED INCOME OF PRODUCERS

The data on income of sugar beet producers for the years 1933 and 1934 illustrates the value of the program to producers. The reduction in the 1934 crop of sugar beets, caused by the drought, did not bring the usual result of higher unit prices for beets, because of the large supplies of sugar on hand and because of the abundant crops in other areas. The price of sugar beets for the 1934 crop averaged only $5.16 a ton for the United States as compared with an average of $5.13 for the 1933 crop. However, production in 1934 was only 7,627,000 tons of beets, as compared with 11,043,000 tons in 1933. With prices lower than in the previous year, the actual income received from the sale of beets in 1934 was only $38,577,000 as compared with an income of $56,999,000 from the sale of beets in 1933. But the benefit payments added $19,620,000 to the return on the 1934 crop and the result was an income for that year of $58,200,000, an increase over the income in 1933.

III. LOUISIANA SUGARCANE PROGRAM

Number of contracts approved	9,000
Acreage harvested:	
Average 1928–32 ......acres	151,000
1933 ......do	172,000
1934 ......do	197,000
1935 (preliminary) ......do	211,000
Cane sugar produced:	
Average 1928–32 ......tons	179,000
1933 ......do	205,000
1934 ......do	234,000
1935 ......do	336,000
Prices received by farmers for sugarcane (per ton):	
Average 1928–32	$3.47
1933	$3.24
1934	$2.33
1935 (Dec. 1 price)	$3.19
1934 benefit payments (per ton)	$2.26
Farm value of sugarcane crop for sugar plus benefit payments in 1934 and 1935:	
Average 1928–32	$8,601,000
1933	$8,587,000
1934	$14,569,000
1935 (preliminary estimate)	$16,072,000

The Jones-Costigan Act established for Louisiana and Florida an annual marketing quota of 260,000 short tons raw value of sugar.

The adjustment contract offered to farmers provided for a pro rata adjustment of the production of each producer to the number of tons of sugarcane which would result in the production of sugar equivalent to the quota. As in the sugar beet program, producers were given an option on the years that they could select for the basis of their production allotments. The contract covered the 1935 crop and provided that it could be extended to 1936. It offered cooperating producers adjustment payments on their 1934 and 1935 crops, and provided for deficiency payments.

BENEFIT PAYMENT RATE BASED ON PRICE

The rate of benefit payments made to Louisiana growers is based in part upon the price paid for sugarcane by processors. This sugar-

cane is normally bought under a purchase contract between growers and processors, in which purchase prices are based upon New Orleans sugar prices.

The average price paid by processors for Louisiana sugarcane of the 1934 crop was $2.33 a ton. The parity price of sugarcane for 1934 was estimated to be $4.59 a ton, and the benefit payment to cooperating producers was $2.26 a ton.

As a result of these benefits, the cash income of Louisiana producers increased materially in 1934 over that of 1933. Cash income to Louisiana producers from the sale of sugarcane for sugar, was $8,500,000 in 1933. In 1934 the income from the sale of the crop was estimated at $7,049,000 and the benefit payments were approximately $7,520,000, giving a total cash income for 1934 of $14,569,000.

The benefit payment for 1935 will depend upon the price paid for cane. The initial payment has been set at the rate of 70 cents a ton on the base production of producers or estimated production, whichever is smaller.

APPLICATION OF PROGRAM IN FLORIDA

There is a small production of sugar in Florida by a limited number of producers. The program for Florida was for 1934 and 1935. Under the terms of the contract, the total allotment for marketing of sugar was determined to be 39,800 tons of sugar.

Benefit payments to producers were set at $1.88 a ton of cane on the production for 1934. The total benefit payment for 1935 has not been established, but the initial benefit payment on the 1935 crop was set at 70 cents a ton. The total 1934 benefit and deficiency payments were estimated at approximately $1,050,000. As in the other programs, the Florida program provided a measure of crop income insurance through deficiency payments which were set at $1.15 a ton on cane that was unfit for harvest after December 1, and $1 a ton on cane that was damaged before that date. Deficiency payments on the 1934 Florida crop amounted to approximately $155,000.

Most of the sugar in Florida is raised by three companies, who employ approximately 3,000 laborers at the peak of the season in producing their sugarcane. Because these concerns do not purchase enough cane to establish market prices, a "market value" of cane was established as the basis for parity prices and benefit payments.

The production of sugar in Florida in 1934 was approximately 27,000 tons. It was reduced sharply from the crop anticipated, as freezing weather shortly before harvest time prevented much of the crop from being processed. The 1935 production is estimated at 44,000 tons of sugar.

IV. SIRUP PROGRAM

The last sugar program developed by the Agricultural Adjustment Administration was that relating to the sugarcane used for the commercial production of sirup. The benefit payments under this program were expected to add about $500,000 to the income of producers from the 1934 crop and about $400,000 to their income from the 1935 crop. No adjustment was required in 1934, but benefit payments were to be made upon that crop in consideration of the

cooperation of farmers in adjusting their 1935 acreage production and marketing.

In general, this program sought: (1) To reduce the surplus carry-over of all sirup by limiting the production and sale of sirup from the 1935 crop of each cooperating producer to the amount produced and sold from the 1934 crop, and (2) to prevent the diversion of sugarcane normally used for the production of sirup into the manufacture of sugar in Louisiana. Growers were to receive benefit payments approximately equivalent to those paid to the producers of sugarcane for sugar in Louisiana, and thus to bring about equality of treatment to all commercial producers of sugarcane in the continental United States.

The program was to apply only to producers who marketed 100 gallons of sirup or more during the year 1934. Annual production of less than this amount could not be considered commercial production, and benefit payments on less than 100 gallons would have been negligible.

The 1934 payment was established by the terms of the contract at 10 cents per gallon on the amount of sirup sold from the 1934 crop in excess of 100 gallons. The payment on the 1935 crop was to be in an amount equal to the difference between the average farm price and the parity price. The contract, moreover, provided for a maintenance in 1935 of the relationship between the payments to sirup producers and producers of sugarcane for sugar in Louisiana in 1934.

Approximately 8,000 adjustment contracts had been executed by producers at the time of the decision of the Supreme Court in the *Hoosac Mills case.*

V. PHILIPPINE ISLANDS

Production in the Philippine Islands increased, in the years preceding the sugar program, from 529,000 tons in 1923 to 1,580,000 tons in 1933, largely because of increasing high yields of cane from new varieties.

In 1934 the Philippine quota for entry into the United States of slightly more than a million tons of sugar was filled during the first 6 months of the year. In addition, about 400,000 tons of Philippine sugar in excess of the quota reached the United States in 1934. This sugar was not allowed to be marketed in 1934, but was held under bond in customs custody until January 1, 1935, when it was allowed to be marketed on the 1935 quota. Correspondingly less sugar was shipped from the Philippines on the 1935 quota and the total shipments for the 2 years came within the total of the quotas for that period.

DIFFICULT PROBLEM IN PHILIPPINES

Shortly after the sugar act became effective, the Administration faced a difficult Philippine sugar problem. Excess quota sugar totaling 400,000 tons had already been shipped to the United States. The crop coming to maturity was estimated to produce 1,578,000 tons of sugar. As it was assumed that the 1935 quota would not be much different from that of 1934, roughly a million tons, a drastic

reduction in Philippine sugar production was necessary. The Philippine producers also faced the problem of adjusting sugar supplies under the Tydings-McDuffie, or Philippine Independence, Act. Under this act, the duty-free exports of sugar to the United States are to be about 972,000 short tons raw value annually.

The general aim of the Philippine sugar adjustment program was to reduce the production of sugar from the 1934–35 crop sufficiently to offset the 400,000 tons of excess sugar shipped in 1934 and the excess of the crop over quota requirements, and to adjust production from the 1935–36 crop to the point necessary to fill only the United States Philippine quota, the local-consumption requirements, and maintain a reserve of approximately 100,000 tons in the Islands.

NECESSARY ADJUSTMENT ACCOMPLISHED

This adjustment has been made. The production of sugar from the 1934–35 crop, which it is estimated would have been 1,578,000 tons without any reduction, was reduced to 696,000 tons, of which only 524,000 tons were for shipment to the United States. In addition, growers have met the obligations of their contracts and have kept their production down this year. The production for 1935–36 is estimated at 986,000 short tons.

The large supplies which were depressing the market in 1934, and which many sugar growers feared would affect adversely all sugar prices, have been liquidated in an orderly manner, and the Philippine producers have adjusted their production to the level anticipated in the Independence Act.

About 18,200 adjustment contracts were signed by Philippine producers. Each producer received a production allotment and each producer who entered into a Philippine sugarcane production adjustment contract with the Secretary of Agriculture and complied with the conditions therein received benefit payments for the difference between the sugar produced in 1933–34 and that produced in 1934–35. These benefit payments were fixed at about $2.13 per ton of cane not made into sugar. Total benefit payments under the Philippine sugar program were estimated at approximately $15,500,000. These payments were scheduled for completion about July 1936. Approximately $12,500,000 had been paid in benefit payments up to January 1, 1936.

NEW STATUS OF ISLANDS AFFECTS SUGAR SITUATION

The status of Philippine sugar has changed since the Islands ceased to be a possession of the United States and became a commonwealth on November 15, 1935. Under the Philippine Independence Act, the provisions of the act applying to sugar are effective beginning with the first calendar year after the new Government is effective, or January 1, 1936.

Under the act, 800,000 long tons of raw sugar and 50,000 long tons of refined sugar, or the equivalent of approximately 972,000 short tons, raw value, is exempt from the United States sugar tariff, but sugar shipped to the United States over that amount in any year would be subject to the prevailing full duty rate.

The quotas established under the Jones-Costigan Act determine the amount of sugar which may enter the United States. If the quotas are larger than the Tydings-McDuffie quota for duty-free sugar, duty is payable on the difference between that amount and the quota established under the Jones-Costigan Act. As long as the quotas are beneath the duty-exempted quota, there is no duty payable on sugar entered. The quota for 1934 was 1,005,602 short tons, for 1935 it was 981,958 short tons, and for 1936 it was 1,068,057 short tons.

VI. PUERTO RICO

In Puerto Rico the situation was somewhat similar to that in the Philippines. Production, which up to 1923 had been less than half a million tons annually, had increased steadily until in 1933–34 it reached 1,113,381 tons. Supplies on hand were greater than the requirements as represented by the quota and the insular consumption.

As the sugar from the 1934 crop was already produced by the time the sugar program went into effect, it was necessary for the Puerto Rican program to curtail the 1935 crop sufficiently to reduce the surplus supplies and keep production within quota and consumption requirements.

Producers cooperating in the program were offered $4 a ton for sugarcane which could not be processed for sugar as a result of the program. The 2-year adjustment contract was approved February 22, 1935. Approximately 7,800 adjustment contracts were signed by Puerto Rican producers. Under these contracts cooperating producers reduced their production by approximately 376,000 tons of sugar. Instead of the 1,148,000 tons of sugar it is estimated would have been produced without the program, the actual sugar production from the 1934–35 crop was 772,000 tons, without destruction of cane.

EXCESS CANE GROUND FOR MOLASSES, CATTLE FEED

Even in view of the necessity of reduction of excess sugarcane and stocks of sugar in Puerto Rico it was considered undesirable to destroy large quantities of a basic food product. A plan was accordingly evolved for the grinding of excess sugarcane into high-test molasses and sirups for distillation or cattle feed. The 1934–35 crop of sugarcane in Puerto Rico totaled approximately 9,454,000 tons. Of this amount 6,392,547 tons were ground for sugar, 267,509 tons were converted into high-test molasses, and 857,609 tons were ground for the production of sirup.

This left approximately 1,936,000 tons of standing cane, the bulk of which was carried over to the 1935–36 crop in consideration of suitable reductions in planting for that year, so that the total for grinding in 1935–36 would not exceed the allotments assigned to producers pursuant to the Puerto Rico sugarcane production adjustment contract. The cane ground for high-test molasses produced 12,077,514 gallons, and that for sirup produced 26,399,206 gallons of the latter product. A careful examination of the molasses market in the United States prior to the approval of the plan for grinding excess cane disclosed that these quantities would not dis-

rupt the price inasmuch as the stocks of alcohol and molasses for conversion into alcohol and feedstuffs stood at a relatively low level.

For 1935–36, the second year of the program, the allotments to producers totaled approximately 835,000 tons of sugar and production will be held within this figure unless consumption requirements warrant an increase. The 2-year program has thus brought about an adjustment in the production and supplies of Puerto Rican sugar.

BENEFIT PAYMENTS ESTIMATED AT 12 MILLION DOLLARS

Total benefit payments to cooperating producers on the 1934–35 crop are estimated at approximately $12,000,000 for the approximately 400,000 ton reduction in sugar. To January 1936 approximately $1,580,000 had been paid in benefit payments.

For the 1935–36 crop, the benefit payments have not yet been determined, but are to be at least 35 cents a ton on the cane actually produced.

The quotas for shipment of sugar to the United States from Puerto Rico were supplemented by marketing allotments made to the individual processing companies so that each company had a definite share of the total quota for the area.

VII. HAWAII

The situation in Hawaii was not so acutely unfavorable as in other regions, since the production in that area had been fairly well stabilized. However, a 3-year program was put into effect for Hawaii, providing for an annual production of about 1,000,000 tons of sugar as compared with the estimated 1934 crop of 1,150,000 tons. The Hawaiian program was planned to cover the years 1935, 1936, and extend to May 9, 1937.

SUGAR PRODUCTION IN HAWAII CENTRALIZED

Sugar production in Hawaii is centralized in the hands of 39 companies, who have approximately 4,000 adherent planters. Under the adjustment program, the adjustments in production were to be made in the lands of the companies, with the plantings of the adherent planters to remain at approximately their usual level. The benefit payments to Hawaiian planters were to be shared with the adherent planters, in proportion to the usual return to the adherent planter from sugar production.

The benefit payments to Hawaiian producers were calculated to equal 90 percent of the processing taxes collected on Hawaiian sugar, less the administrative expense of the program, and to average about $8,500,000 annually. The remainder of the funds collected could be placed in a special fund to be used as directed by the President for the general benefit of agriculture as provided in the sugar legislation.

VIII. USE OF TAX PROCEEDS FOR THE GENERAL BENEFIT OF AGRICULTURE

The Jones-Costigan amendment to the Agricultural Adjustment Act contained a section (sec. 15 (f)) which authorized the President in his discretion to decree that all or any part of the taxes collected

from the processing of sugarcane in any of the insular areas be held as separate funds in the names of the areas to which related. This section further provides that special funds established in this manner may be used for the benefit of agriculture or paid as benefit payments in connection with the reduction in the production of sugarcane or for the expansion of markets and the removal of surplus agricultural products in the various areas.

In the case of Hawaii, the President, by proclamation on June 7, 1935, directed that the sum of $500,000 be held in the name of the Territory of Hawaii to be expended for the benefit of agriculture. To assist in formulating a well-balanced program for the benefit of agriculture and the development of diversified agricultural industries in the Territory, a committee known as the Hawaiian Advisory Committee was appointed by the Secretary.

The committee, which was familiar with local conditions, studied various projects which would fit in with a scheme for the development of general agriculture in the Territory, with special emphasis on the development of small cash crops and the growing of more subsistence foods.

COMMITTEE RECOMMENDS NINE PROJECTS

In all, nine projects recommended by the Hawaiian Advisory Committee were approved by the Secretary. These projects include: (1) A general survey and classification of the soil in the Territory, which will be of great value in the development of agriculture in general. The estimated cost of this project is $30,000; (2) a study and development of resistant varieties of host fruits to the Mediterranean fruit fly and melon fly which annually do considerable damage to the crops of Hawaii. The estimated cost of this project was $80,000; (3) experiments in development of better methods of fertilization and cultivation, including the introduction of improved varieties of the taro plant. This project also included a study and experimental work leading to increased use of taro and poi, and was estimated to cost $50,000; (4) investigations of various treatments of animals affected by liver fluke, and the study of the pest, together with the development of means of control. The estimated cost of this project was $40,000; (5) control and elimination of the damage done to fruit and nut orchards and small crops and vegetable products by means of the poisoning and trapping of the Hawaiian rat. The estimated cost of this project was $110,000; (6) assistance to small farmers in improved methods of cultivating and marketing their products by means of expert supervision and instruction with a view to a reduction in the cost of production and increased returns from marketing. This project was estimated to cost $60,000; (7) experiments to determine the varieties of grasses and forage crops best suited to the soil and climatic conditions of the Territory. This project also includes feeding experiments and laboratory determinations of nutrient components. The anticipated cost of the project is $70,000; (8) the introduction of new and better varieties of tropical fruits and nuts and the development of those best suited to local condition. This project will include a study and projected control of various blights and pests which attack fruit trees. The estimated

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cost of this project is $50,000; (9) the development of control methods of various poultry diseases, including experiments and development of green feeds and other crops for poultry feeding. This project also contemplates study and development of better types of pens and poultry houses to meet local conditions, and is estimated to cost $30,000. In all these projects the plan of work and estimated cost are based on a 1-year program.

In addition to the foregoing projects, the Hawaiian Agricultural Advisory Committee recommended for approval by the Secretary various other projects, including one project for the control of insect pests, plant and animal diseases, $50,000; a project for an adjustment program for the coffee industry, $168,000; and a project to develop increased uses for locally produced agricultural products, $75,000.

FOUR PROJECTS UNDERTAKEN IN PUERTO RICO

In the case of Puerto Rico, four projects were undertaken for the general benefit of agriculture involving seven different tax-fund orders. The first of these projects was a soil survey undertaken by the Bureau of Chemistry and Soils of the Department of Agriculture at a total estimated cost of $40,000. The second was a study and investigation of insect pests which annually damage crops and livestock raised in Puerto Rico to a considerable extent. This project was estimated to cost $93,000. Another project undertaken was for experimentation in the propagation and breeding of tropical plants and a study of domestic animal parasites. This comprehensive study was undertaken by the Federal Experiment Station at Mayaguez, and the sum of $113,000 was appropriated to cover expenses. The fourth project was a survey of insular soil erosion carried on by the Bureau of Chemistry and Soils of the Department of Agriculture, and estimated to cost $82,000.

In conclusion it may be said that in the case of Hawaii and Puerto Rico the projects approved under section 15 (f) of the Agricultural Adjustment Act for the benefit of agriculture have proven to be exceedingly useful adjuncts to general programs for agricultural rehabilitation in both areas. At the time of the decision of the Supreme Court in the Hoosac Mills case plans were under consideration for similar projects financed from sugar-processing-tax funds for the Philippine Islands.

IX. EFFECT OF SUGAR PROGRAM ON TRADE WITH CUBA

Cuba has been the chief source of foreign supply of sugar to the United States. The United States has special trade relations with Cuba, and in the past has exported a large volume of agricultural and industrial products to that country. In recent years, as the sugar shipments from Cuba have declined, the exports of American agricultural and other products fell off sharply. The sugar program arrested the decline in sugar shipments from Cuba to the United States. This, along with improved prices for sugar, has given Cuban producers more purchasing power, and there has been an increase in trade between the two areas.

Even more important as a stimulant to trade was the reciprocal trade agreement between the United States and Cuba which became effective September 3, 1934. Under this agreement, Cuba granted the United States important reductions in duties on American agricultural and industrial products. In return, the United States reduced the tariff on Cuban sugar from 1.5 cents a pound to 0.9 cent a pound. This tariff concession was the main concession made by the United States to Cuba in the agreement.

Under former conditions, such a tariff reduction might have resulted in large increases in sugar shipments from Cuba, but under the quota system, the amount of sugar entering the United States is fixed. The tariff reduction did aid United States producers of certain export agricultural commodities, such as pork, wheat, lard, and flour, by making it possible for them to market more of their commodities in Cuba.

X. ADJUDICATION OF PURCHASE-CONTRACT CONTROVERSIES AND DETERMINATION OF FAIR PRICES FOR SUGARCANE

Section 8a (3) of the Agricultural Adjustment Act, as amended, authorizes the Secretary of Agriculture to adjudicate disputes over terms covering the growing and marketing of sugar beets and sugarcane and the marketing of their products. While no official action fixing prices for sugar beets has been taken under this section, the Secretary has acted as mediator in bringing producers and processors of sugar beets into agreement.

Growers in certain areas in Nebraska, Colorado, Wyoming, and Montana requested that the Secretary adjudicate a dispute over the terms of the purchase agreement for 1935. A conference between representatives of both groups was held in Washington, and a finding was made, recommending for most of the area concerned a schedule of payments approximately 20 cents per ton higher than those made during the previous season. For northern Wyoming and Montana the finding recommended a schedule of smaller increases. The recommended schedules were generally used in the areas involved.

"FAIR PRICES" DETERMINED FOR LOUISIANA SUGARCANE

Signers of the Louisiana sugarcane production adjustment contract agreed to enter into purchase contracts with processors which would provide for "fair prices" for sugarcane to be determined by the Secretary of Agriculture. In view of the guaranty of parity returns to the growers, such a provision was necessary. The 1934 benefit payments were equal to the difference between the fair exchange value of sugarcane and the actual receipts of farmers per ton, based upon the schedule of payments contained in the purchase contract developed by the producers and the processors, and approved by the Secretary of Agriculture. This contract fixed the prices to be paid for sugarcane on the 1934 crop, in relation to the sucrose content of the sugarcane and the price of 96° raw sugar at New Orleans.

Changed conditions in 1935 required that a new purchase agreement be developed that year. A determination of fair prices was announced October 14, 1935.

This "determination" provided in substance for a return to the relation of $1 per ton of sugarcane for each 1 cent of the value of 96° raw sugar at a level of 3.5 cents per pound of raw sugar. It provided further for a 3 percent deduction from the basic rate for each one-fourth cent decline, fractional parts in proportion, below 3.5 cents and for a 3 percent advance in the basic rate for each increase of one-fourth cent above 3.5 cents per pound of 96° sugar. The determination was subsequently amended to make the basic rates applicable only within the limits of 2.75 cents to 3.75 cents per pound of raw sugar. As a result of the "determination" the price of par sugarcane was increased by approximately 35 cents a ton above what it would have been had the 1934 purchase contract prevailed, but was approximately 10 cents below the price which would have prevailed had the 1933 agreements been in force.

XI. FINANCES OF THE SUGAR PROGRAM

The processing tax of one-half cent a pound on sugar (96° raw value) became effective June 8, 1934. This tax imposed on the normal consumption of sugar amounts to about 65 million dollars annually. Through December 31, 1935, the actual collections reported by the Bureau of Internal Revenue were $100,327,146.67.

The rental and benefit payments for this period totaled $57,088,394.20, divided approximately as follows: Sugar beet producers, $26,600,000; continental sugarcane producers, $8,900,000; Philippine Islands, $8,600,000; Puerto Rico, $1,600,000; and Hawaii, $11,200,000. Up to the same date the administrative expenses of the sugar program were approximately $2,200,000.

At the close of 1935, it was estimated that approximately 35 million dollars in benefit payments remained unpaid to sugar producers under their contracts.

XII. ACCOMPLISHMENTS UNDER THE SUGAR PROGRAM

In the period in which the sugar program has been in effect material progress has been made in accomplishing its purposes. These may be summarized as follows:

SUPPLIES HAVE BEEN ADJUSTED

When the program began there was a surplus of sugar stocks of approximately a million tons; 300,000 tons of United States beet sugar; 300,000 tons of Philippine sugar; 250,000 tons of Puerto Rican sugar; and 150,000 tons of Hawaiian sugar. Most of this surplus has now been eliminated.

PRICES TO PRODUCERS HAVE BEEN MAINTAINED OR INCREASED

Growers have received better prices for their crops and these better prices have been augmented by benefit payments. The 1935 crop farm price of Louisiana sugarcane was $3.19 a ton, while the average

price for the 1934 crop had been only $2.33. In 1932 Louisiana farmers had received an average of $3.06 a ton, and in 1933 they received an average of $3.24 a ton.

The December 1 price of sugar beets averaged $5.15 a ton, compared with the average price for the 1934 crop of $5.16. In 1932 the average price was $5.26 and in 1933 it averaged $5.13.

The wholesale price of raw sugar at New York has risen from 3 cents a pound in June 1934 to an average of 3.2 cents a pound for 1935. See table 67.

TABLE 67.—*Monthly average wholesale price of raw sugar at New York, and average retail price in the United States, June 1934 through December 1935*

	Wholesale price, raw sugar, New York	Average retail price, refined sugar, United States		Wholesale price raw sugar, New York	Average retail price, refined sugar, United States
1934	*Cents per pound*	*Cents per pounds*	*1935*	*Cents per pound*	*Cents per pound*
June	3. 0	5. 4	January	2. 8	5. 4
July	3. 2	5. 7	February	2. 9	5. 4
August	3. 3	5. 7	March	3. 0	5. 4
September	2. 9	5. 7	April	3. 2	5. 5
October	2. 9	5. 7	May	3. 3	5. 7
November	2. 9	5. 6	June	3. 3	5. 7
December	2. 7	5. 5	July	3. 3	5. 8
			August	3. 3	5. 8
			September	3. 5	5. 8
			October	3. 6	5. 9
			November	3. 4	5. 9
			December	3. 1	5. 8

RETAIL PRICE HAS RISEN ONLY SLIGHTLY

The sugar program and the benefit payments to cooperating producers have resulted in only a slight increase in the price of sugar to the consumer. (See table 67.) The average retail price of sugar as reported in 51 leading cities was 5.7 cents a pound during 1935 as compared with 5.6 cents a pound for 1934 and 5.4 cents a pound for 1933. The average price for the 5-year period, 1930–34 was 5.6 cents a pound.

LABOR HAS BENEFITED

The Jones-Costigan Act provided that the Secretary of Agriculture might regulate child labor and provide for minimum wages under certain conditions. In accordance with the provisions in the law the sugar-beet and sugar-cane production adjustment contracts prohibited the employment of children under 14 years of age and limited the employment of children between 14 and 16 years of age to 8 hours a day. Minimum wages were established for certain areas in Colorado, Nebraska, Wyoming, and Montana, and a method was set up for settling disputed wage claims which had to be settled before adjustment payments were made to producers.

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CHAPTER 15

CATTLE

SALIENT FACTS ABOUT CATTLE

1. Numbers of cattle and calves on farms on Jan. 1:	
1933	70, 214, 000
1934	74, 262, 000
1935	68, 529, 000
1936	68, 213, 000
2. Farm value of cattle and calves on farms on Jan. 1:	
1933	$1, 386, 107, 000
1934	$1, 320, 340, 000
1935	$1, 385, 948, 008
1936	$2, 325, 586, 000
3. Average farm price for beef cattle, per hundredweight:	
1933	$3. 63
1934	$3. 88
1935	$6. 21

The emergency purchase program for cattle which began June 1, 1934, as a result of the severe drought of that year, overshadowed for 7 months all other efforts to give the beef-cattle industry the benefit of Federal assistance.

I. BEEF CATTLE NOT BASIC COMMODITY UNDER ORIGINAL AGRICULTURAL ADJUSTMENT ACT

Beef cattle had been included in the list of basic commodities in the original draft of the Agricultural Adjustment Act in 1933, but spokesmen for the beef-cattle producers' organizations asked that cattle be excluded from the list, and Congress deferred to their request.

When the Agricultural Adjustment Act was under consideration in Congress in 1933, representatives of the beef-cattle industry were advocating legislation to restrict imports of beef and competing oils and fats, to raise the tariff on hides, and to lower the costs of transportation and marketing, and to foster orderly marketing.

MARKETING-AGREEMENT NEGOTIATIONS UNSUCCESSFUL

Elimination of beef cattle from the list of basic commodities left marketing agreements with processors as the only feasible means of extending Federal assistance to the cattle industry under the Agricultural Adjustment Act. In August 1933 the cattle producers named a committee of five members to work with the Agricultural Adjustment Administration.

Meat packers submitted a draft of a proposed marketing agreement at a hearing in Washington September 8, 1933. The producers asked for certain amendments, and the Agricultural Adjustment Administration proposed a provision authorizing the inspection of processors' books and records in order to obtain the facts with regard to the operation of any marketing agreement that might be entered into by the Secretary of Agriculture and the processors. No agreement on access to the processors' records was reached, and negotiations on a marketing agreement ended in February 1934.

II. PASSAGE OF JONES-CONNALLY AMENDMENT

The Jones-Connally amendment to the Agricultural Adjustment Act, approved April 7, 1934, added beef cattle to the list of basic commodities enumerated in the act and provided an appropriation of 200 million dollars for financing surplus reduction and production adjustment in the dairy- and beef-cattle industries and "to support and balance the markets for the dairy- and beef-cattle industries." An additional 50 million dollars was appropriated to eliminate diseased beef and dairy cattle and to pay indemnities to their owners.

FUNDS FROM EMERGENCY APPROPRIATION

On June 19, 1934, an emergency appropriation bill was approved to provide 525 million dollars for relief of drought sufferers. A total of $60,600,000 from this fund and approximately $68,000,000 from the Jones-Connally appropriation, were made available for the purchase of livestock.

CONSIDERATION GIVEN TO ADJUSTMENT PROGRAM

After passage of the Jones-Connally amendment, representatives of the Agricultural Adjustment Administration and the Cattle Committee of Twenty-Five, named by the Adjustment Administration at the request of producers, worked out the main features of an adjustment program designed to control the number of cows and heifers kept on farms, and the number of cattle placed on feed, and to make adjustment payments to producers according to their breeding and feeding operations in a specified base period. A processing tax to finance the program was proposed.

Drought forced postponement of the submission of the adjustment program to producers.

III. HOW THE DROUGHT EMERGENCY WAS MET

When crop failure and forced liquidation of livestock began in northwestern Minnesota and the Dakotas shortly after the 1934 growing season opened, the extent, severity, and duration of the drought could not be foreseen. The emergency drought area finally embraced parts or all of the States west of the Mississippi River except Washington. Secondary drought areas were designated in Wisconsin, Illinois, Michigan, and Indiana.

CATTLE NUMBERS LARGEST IN HISTORY

When the drought struck, cattle numbers were the largest in history, except possibly in 1918 and 1919. Revised figures of the

Bureau of Agricultural Economics show that 74,262,000 cattle and calves were on farms and ranges on January 1, 1934, as compared with 70,214,000 in 1935 and 65,770,000 in 1932. In the 4 years from January 1, 1930, to January 1, 1934, cattle numbers had increased more than 13 million head—an increase of nearly 22 percent—most of which came in 1932 and 1933.

Farmers were adding cattle to their herds faster than they were marketing them, for slaughter and consumption of beef was not keeping pace with the unusually rapid production.

A surplus of cattle existed in 1934. Markets were glutted and prices were ruinously low. (See table 68.)

TABLE 68.—*Cattle numbers, farm value, and prices, 1930–36*

Year	Cattle and calves on farms (Jan. 1)	Total farm value (Jan. 1)	Average farm price for beef cattle [1]	Fair exchange value [2]	Percent farm price is of fair exchange value
	1,000 head	*1,000 dollars*	*Per hundredweight*	*Per hundredweight*	*Percent*
1930	61,003	3,438,056	$7.46	$8.13	91.76
1931	63,030	2,457,499	5.31	7.09	74.89
1932	65,770	1,736,015	4.04	6.20	65.16
1933	70,214	1,386,107	3.63	6.15	59.02
1934	74,262	1,320,340	3.88	6.62	58.61
1935	68,529	1,385,948	6.21	6.67	93.10
1936	68,213	2,325,586			

[1] Weighted average farm price for the calendar year.
[2] Fair exchange value is obtained by multiplying the index of prices paid by farmers, including interest and taxes, by $5.21, the 1910–14 "parity" price for beef cattle.

The situation was aggravated by feed and water shortage during the summer. Large areas of range and pasture land were completely ruined, at least temporarily. The crisis was perhaps the most serious in the history of the cattle industry in the United States.

Funds were available from the appropriations under the Jones-Connally Amendment and the Emergency Appropriation Act to buy cattle for the Government's account from farmers in the designated emergency drought counties whose supplies of feed and water were extremely limited.

BENEFIT PAYMENT AND PURCHASE PAYMENT

The payment for each animal purchased by the Government included a benefit payment and a purchase payment. The size of each payment depended upon the age and condition of the animal. The benefit payment was the property of the producer, and the holder of any lien upon the cattle specifically waived any claim to that payment. Rates of payment for cattle were as follows:

Age classification	Benefit payment	Purchase payment
Cattle, 2 years old and over	$6	$6–$14
Cattle, 1 to 2 years old	5	5– 10
Cattle, under 1 year old	3	1– 5

A total of 8,280,148 cattle, 3,609,654 sheep, and 350,460 goats were purchased. Of this number 1,485,704 cattle, 2,209,638 sheep, and 254,731 goats were condemned as unfit for human consumption because they were in such emaciated condition from starvation and thirst. Expenditures for cattle totaled $111,546,104 and for sheep and goats $7,709,952.

MEAT MADE AVAILABLE FOR RELIEF USE

As a result of the program nearly 800 million pounds of beef, veal, and mutton were made available, largely in the form of canned meat, to needy families on relief throughout the United States. In addition about 100,000 animals were turned over by grant to Indian reservations and about 51,000 head were used in rural rehabilitation projects.

Forced liquidation of cattle was nearly completed in 1934. A few counties were granted additional allotments of emergency funds after January 1, 1935, but all purchases were completed by January 31.

OFFSETTING GAINS FROM DROUGHT

Though the drought caused heavy losses to many producers, there were offsetting gains. In general, the poorest cattle were sold in the emergency purchase program, and as a result the average quality of breeding stock left on farms in the drought-affected States was raised. Reduction in the number of steers somewhat exceeded the desirable amount, because of the small supplies of feed grains, but Federal aid enabled producers to secure feed and grazing and to maintain a moderate number of breeding stock through the winter of 1934–35.

IV. CONSUMER DEMAND AND CATTLE PRICES BETTER IN 1935

Because of the Government's drought-relief purchases, the commercial cattle market in 1934 was maintained at a price level much higher than would have been the case if shipments of distress cattle had been put through the regular commercial channels. The average farm price of beef cattle in December 1933 was $3.12 per 100 pounds live weight, which was less than half the fair-exchange value for beef cattle at that time. The weighted average farm price for the 1934 calendar year was $3.88 in spite of the heavy forced liquidation, and for 1935 it was $6.21.

Increased consumer demand, reflecting both increased purchasing power and short supplies of hogs, largely accounted for the increased cattle prices in early 1935. The spread between the fair-exchange value for cattle and the prices producers actually received, narrowed rapidly, dropping from $1.67 per hundredweight in January 1935 to 6 cents in April of the same year. In May the average farm price was 3 cents above parity. Since May it has ranged from 15 to 52 cents below parity.

PROCESSING TAX PROPOSAL NOT ACCEPTED

Two conferences with the cattle committee of twenty-five were held in Washington in February and March 1935. A proposal to levy a processing tax on cattle, to be used with the processing tax on hogs to finance adjustment in corn production, failed to win the approval of the committee. As cattle prices since that time have been close to parity, no adjustment program was required to effectuate the declared policy of the Agricultural Adjustment Act.

Cattle prices are expected to remain at or near the fair-exchange value through most of 1936. Increased supplies of the better grades of slaughter cattle may cause some weaknesses in prices. This effect, however, may be at least partially offset by continued improvement in consumer demand.

CHAPTER 16

RICE

SALIENT FACTS ABOUT RICE ADJUSTMENT

1. Farm value of rice crop as of Dec. 1:	
1932	$17, 264, 000
1933	28, 832, 000
1934	29, 662, 000
1935 (including benefit payments)	33, 511, 000
2. Carryover of rice as of Aug. 1:	
1932 pounds	220, 000, 000
1935 do	77, 000, 000
3. Approximate number of 1935 rice adjustment contracts in effect	10, 000
4. Total benefit payments under 1935 rice program	$9, 500, 000

Rice is produced commercially in two areas of the United States. One of these areas is California; the other includes sections of the Southern States of Arkansas, Louisiana, and Texas. Conditions are widely different in the two areas, a fact which has materially affected the rice programs.

The farm value of the rice crop of the United States declined from $40,384,000 in 1929 to $17,264,000 in 1932; it was $28,832,000 in 1933 and $29,662,000 in 1934. Including benefit payments of approximately $9,500,000, farm value of the 1935 rice crop totaled $33,511,000.

Rice prices had declined from 99.5 cents per bushel in 1929 to 41.9 cents in 1932. Exports to foreign countries, for the same years, which previously had accounted for 15 to 20 percent of the annual domestic production, fell from 225 million pounds to 128 million pounds, largely because of lower world prices and various trade barriers erected in foreign countries. Domestic utilization did not change materially but there was a substantial increase in carryover stocks. The production decreased from 44.9 million bushels in 1930–31 to 41.3 million bushels in 1932–33; nevertheless, the August 1 carryover increased from 81 million pounds in 1930 to 220 million pounds in 1932. The markets for both rough and clean rice were badly disorganized, and rice prices threatened to descend to even lower levels.

I. MARKETING AGREEMENTS ESTABLISHED IN 1933

By the time the Agricultural Adjustment Act was approved, and a rice program could be launched in 1933, the planting season for that year had passed, and a short crop was already in prospect. These factors made it impracticable at that time to initiate a crop-

production adjustment program such as the Agricultural Adjustment Act authorized, with rice designated at a basic commodity. Consequently, no rental or benefit payments with regard to the 1933 growing season were provided. Growers and millers both from the South and from California felt that marketing agreements would raise prices and correct existing bad marketing practices.

The marketing agreements that were entered into included provisions permitting producers to control the acreage planted to rice.

NO PRODUCTION ADJUSTMENT PROGRAM UNDERTAKEN IN 1934

When, in the winter of 1934, consideration was given to the question of whether a reduction program under section 8 (1) with respect to the 1934 crop would effectuate the declared policy of the act, it was found that in view of the provisions of the marketing agreements that had been established in 1933 no production adjustment program under section 8 (1) was necessary to effectuate the declared policy of the act, and consequently no such program was undertaken at that time.

The California millers executed a marketing agreement in September 1933, and the southern millers in October of the same year. These agreements provided for minimum prices to producers and for minimum conversion charges by millers for the sale of clean rice. The California rice millers were accustomed to cooperative effort and all mills in that area signed the California rice-marketing agreement. Previous to this time, however, there had been little or no cooperative action among southern rice millers, and millers representing about 10 percent of the milling capacity of the Southern rice area did not sign the agreement. This fact made necessary a license plan for that area.

CALIFORNIA AGREEMENT INVOLVED ACREAGE CONTROL

The California rice agreement involved an acreage-control program to become effective in the spring of 1934. When this program went into effect, a new agreement with millers in the southern area was drawn to provide a similar control program.

The California program operated successfully during the life of the agreement, and increased prices, one of its main objectives, were realized. Likewise, the southern marketing agreement and license, in spite of many difficulties, were also generally successful. Acreage was kept in check in the face of rice prices approximately twice as high as those of the 1932–33 season, and the higher prices were thus kept in effect for growers.

II. PROCESSING TAX LEVIED IN 1935

No contracts with rice growers were made. Consequently all southern producers—both those who cooperated and those who did not—shared equally in higher rice prices. A large number of growers requested a rice program based on the processing-tax and benefit-payment provisions of the Agricultural Adjustment Act. As a result, the DeRouen rice bill was enacted March 18, 1935, as an amendment to the Agricultural Adjustment Act, and became

effective April 1, 1935. It provided for a processing tax on rough rice at the rate of 1 cent per pound; the elimination of floor-stocks tax on clean rice; and the issuance of tax-payment warrants to be used to pay the rough-rice tax on rice from the 1933 and 1934 crops which had been purchased in accordance with the marketing agreements and licenses, or which remained in the hands of growers.

ADJUSTMENT PROGRAM PUT ALL MILLS ON SAME PURCHASING BASIS

Under the marketing agreement mills had agreed to pay growers 60 percent of the established price at the time rice was bought; the remaining 40 percent of the price was to be put into a trust fund and distributed later in adjustment payments to growers who adjusted their acreage. However, the 10 percent of the southern milling capacity not cooperating under the agreement was required, under the terms of the southern licenses, to pay producers the full price at the time they bought the rice. As a result noncooperating growers received more for their rice immediately from noncooperating mills, than cooperating growers could get immediately from cooperating mills. The adjustment program with its processing-tax and benefit-payment features, put all mills on the same basis in respect to the purchase of rice.

Competition with cheap rice from the Philippine Islands constituted a problem. When the program was instituted rice could be shipped into the United States from the Philippines duty free, although practically none had been so shipped up to that time. The marketing agreements and licenses raised the price of rice in this country well above world levels, and as a result the United States became an attractive market for Philippine rice. The compensating tax levied under the new adjustment program lifted the price of imported rice to levels comparable to those of domestic rice.

NEW PROGRAM MADE EXPORTS POSSIBLE

Exports had dropped considerably, but the new program initiated April 1, 1935, provided for refunding the tax when rice was exported, and thus made it possible for the United States again to export rice in quantities sufficient to eliminate surpluses, while at the same time maintaining domestic prices well above world levels. As a result, exports for April, May, and June 1935, amounted to 76 million pounds, as compared to 18 million pounds during the same months of 1934.

ACREAGE ALLOTMENTS ASSIGNED TO STATES

In putting the new program into effect, acreage allotments were assigned to States by the Secretary. These allotments were computed to be approximately that acreage which at average yields would produce sufficient rice for domestic and territorial requirements as well as a sufficient amount for export.

The State allotments and quotas were distributed among the individual growers on the basis of the growers' experience during the base period. The allotments were about 20 percent smaller than the average seeded acreage in the pre-war base period, 1909–14.

Under the contracts offered the growers, any producer who planted no less than 85 percent of his allotment and no more than his allotment and who did not violate any pertinent ruling was to receive a first adjustment payment of one-half cent per pound on 85 percent of his quota. This payment was expressed as 81 cents per barrel in the southern area and 50 cents per bag in California. The second payment was later determined at the rate of one-half of the first payment, or 40½ cents per barrel in the southern area and 25 cents a bag in California.

The combined quotas for the two rice areas under the 1935 contract amounted to 9,604,312 barrels.

The acreage allotments for the four rice States and the crop estimate reports of planted acreage for those States as of December 15, 1935, were—

State	Allotment	Planted acreage
	Acres	*Acres*
Louisiana	377, 790	382, 000
Arkansas	139, 050	138, 000
Texas	146, 775	166, 000
California	97, 125	98, 000
United States	760, 740	784, 000

III. RICE SITUATION IN 1935 IMPROVED

The rice situation in 1935 was better than it had been in many years. The rice carryover had been reduced from its all-time peak of 220 million pounds in August 1932 to about 77 million pounds in August 1935. The supply for 1935–36 at the beginning of the marketing year in August 1935, including the carryover, was estimated at approximately 1,140 million pounds, or enough to supply domestic and territorial needs and leave a margin for export, which had been made possible by the processing tax rebate that enabled domestic rice to meet foreign rice on a competitive basis.

EFFECT ON RICE PRICES

Prices of rough rice rose, as a result of the program, from the extremely low level of 42 cents a bushel for the 1932 season to 78 cents on December 1 in both 1933 and 1934. The average pre-war farm price of rough rice was 81.4 cents a bushel. On September 15, 1935, the farm price of rough rice was 48.4 cents a bushel. In October it was 57.1, in November, 66.2, and in December, 70.1 cents. The apparent discrepancy between the 78-cent price of December 1933 and December 1934, and the 70-cent price of December 1935 resulted from a change in method of payment to the grower. Under the marketing agreement in effect during the last few months of 1933 and all of 1934, the southern rice grower received his share of the benefits of the program as a part of the price the miller paid for the rice. In 1935 the rice grower received from the miller only the market price of rice, and his share of the benefits of the program was paid in the first adjustment payment of ½ cent per pound and the second payment at half that rate.

On December 31, 1935, contracts received by the Agricultural Adjustment Administration from the various rice States numbered: Louisiana, 6,873; Arkansas, 1,686; Texas, 718; and California, 696. One contract had been received from Missouri. These figures do not represent a final count.

BENEFIT PAYMENTS ESTIMATED TO TOTAL $9,500,000

On these contracts first payments were estimated approximately as follows:

Louisiana	$2,665,000
Arkansas	1,245,000
Texas	1,247,000
California	1,148,000
Total	$6,305,000

Second payments were calculated at approximately half the first payment, bringing the total of rice benefit payments provided for under the program to approximately $9,500,000.

Through December 31, 1935, actual disbursements of benefit payments on rice had been as follows:

Louisiana	$3,968,613.28
Arkansas	1,849,591.19
Texas	1,845,153.11
California	1,717,725.18
Missouri	1,933.06
Total	9,383,015.82

PROGRAMS PROPOSED FOR 1936–39

Early in the fall of 1935 work was begun on new rice programs intended to run for the years 1936 to 1939, inclusive. The programs were approved and announced on December 26, 1935. Essentially similar programs were offered to producers of the classes of rice grown in Arkansas, Louisiana, and Texas, and to California growers. For the first time a program was prepared for rice growers in the Territory of Hawaii.

The production adjustment program for 1936–39, offered to rice growers late in 1935, was not put into effect, since production adjustment programs were invalidated by the Supreme Court in the Hoosac Mills decision January 6, 1936.

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CHAPTER 17

PEANUTS

SALIENT FACTS ABOUT PEANUT ADJUSTMENT

1. Income from peanut production:		
1932		$12,947,000
1933		$20,913,000
1934		$29,671,000
1935 (including benefit payments)		$37,950,000
2. Estimated benefit payments on 1935 production		$3,710,000
3. Average farm price per pound:		
1932	cents	1.47
1933	do	2.80
1935	do	3.20
1934	do	3.35
4. Acreage harvested in 1935	acres	1,642,000
5. Allotted acreage under 1935 program	do	1,266,981
6. Number of commercial peanut growers		88,000
7. Number of contracts under 1935 program		68,622
8. Estimated total diversion payments in 1934 and 1935		$987,000

The commercial production of peanuts affords a substantial cash income to about 88,000 growers in the United States. Ordinarily about 55 percent of the peanut crop is harvested and sold for commercial purposes, while the remaining 45 percent is consumed on the farms where grown, chiefly as feed for livestock.

Approximately 45 percent of the commercial peanut crop is produced in the Virginia area, which includes the States of Virginia, North Carolina, and Tennessee. Another 45 percent is accounted for by the Southeastern area, comprising South Carolina, Georgia, Florida, Alabama, and Mississippi. The remaining 10 percent of the commercial crop is produced in the Southwestern area, which includes Texas, Oklahoma, Arkansas, and Louisiana.

The principal types of peanuts are Virginia, grown in the Virginia area; Spanish, grown principally in the Southeastern and Southwestern areas; and Runners, which are grown in the Southeastern area.

Commercial utilization of peanuts includes out-of-hand eating as nuts and the manufacture of peanut butter and confections. The surplus stocks and lower grade peanuts are used for crushing into peanut oil and into peanut meal or cake. The harvesting season begins in the early part of August and extends through the middle of October.

I. MARKETING AGREEMENT INCREASED 1933 CROP RETURNS

Farm prices for peanuts declined to ruinously low levels from 1930 to 1932. The 1932 crop averaged only 1.47 cents per pound or only about 30 percent of the parity level of 1910–14. To provide relief to commercial peanut growers, a marketing agreement and license for peanut millers were developed under authority of the Agricultural Adjustment Act, and made effective on January 27, 1934.

The agreement and license established minimum prices for farmers' stock peanuts and contained other provisions beneficial to peanut growers. Minimum price rates to be paid to producers by the millers were established at $65 per ton for the Southeastern and Virginia Spanish types; $60 per ton for Virginias and Southwestern Spanish, and $55 per ton for the Southeastern Runner type. The minimum price for Virginia type peanuts was later changed to $65 per ton. Minimum price variations were due primarily to differences in meat content, quality, and trade preference.

It is estimated that due to the marketing agreement, aggregate returns to growers from the 1933 peanut crop were at least 30 percent larger than otherwise would have been the case. The marketing agreement and license were terminated as of October 1, 1934, however, at the request of a majority of the millers.

II. PEANUTS MADE A BASIC COMMODITY

A considerable increase in peanut acreage for 1934 was expected as a result of improved prices for the 1933 peanut crop. An adjustment program for peanuts appeared necessary to prevent prices from sinking again to distressingly low levels.

Peanuts were designated as a basic agricultural commodity by an amendment to the Agricultural Adjustment Act approved April 7, 1934, and an adjustment program for peanuts was announced on September 29, 1934, by the Agricultural Adjustment Administration.

This program was designed to bring the commercial supply of peanuts into line with consumption requirements by diverting part of the 1934 crop into the manufacture of peanut oil or into feed for livestock, and by limiting acreage in 1935 through production adjustment contracts with growers.

III. THE 1934 DIVERSION PLAN

The 1934 peanut crop produced for sale exceeded that of the preceding year by over 165 million pounds. The diversion plan for 1934 was designed to remove the peanut surplus from normal trade channels, the chief outlet for this purpose being the manufacture of peanuts into oil. This diversion was made possible by reason of high oil prices due to the relatively low supply of vegetable oils and other fats.

Under the peanut diversion program as amended, payments were made to contracting growers, for diverting peanuts from the normal channels of trade, at the rate of $20 a ton for Virginia type peanuts, $15 a ton for Spanish, and $10 a ton for Runners. Growers

who signed production adjustment contracts for 1935 were eligible to receive payments for diverting up to 20 percent of their 1934 crop.

Diversion payments to oil millers were also provided, and enabled noncontracting growers to participate in the benefits of the diversion plan, since payments to the millers were passed on to the growers in the form of higher prices for the peanuts purchased to be crushed into oil. Diversion payments to the oil millers were made at rates based on the difference between the value of peanuts for oil and the minimum price to growers which the peanut program was designed to establish.

Under the 1934 diversion plan, approximately 153 million pounds of peanuts were diverted from normal trade channels, with the result that the average farm price for the 1934 crop was 3.25 cents per pound, a substantially higher price than would otherwise have been received. The total of diversion payments for 1934 was approximately $750,780.

IV. PRODUCTION-ADJUSTMENT CONTRACTS FOR 1935

Growers were offered production adjustment contracts for the 1935 peanut crop, providing for benefit payments and the establishment of acreage allotments. Three options were provided for determination of the 1935 acreage allotment under the production adjustment contract.

They were: (1) The average acreage planted to peanuts on the farm in 1933 and 1934; (2) 90 percent of the acreage in 1934; or (3) 90 percent of the acreage in 1933. The choice of these three methods for establishing the allotted acreage under the adjustment contracts was designed to afford sufficient flexibility to meet different conditions on different farms.

An administrative ruling was issued which provided that in case more than one peanut contract was executed covering farms in a county owned, operated, or controlled by the same person, the allotted acreage which would be permitted for these farms should not exceed the acreage which would have been allotted to all of such farms if they had been covered by a single contract. This ruling was necessary because of the prevailing practice in certain areas of shifting the peanut acreage from farm to farm rather than following a rotation on the same farm.

BENEFIT PAYMENTS FOR 1935 CROP PROVIDED

In return for the contracting grower agreeing to limit his peanut acreage in 1935 to the acreage allotment established for his farm, benefit payments were provided for the 1935 crop. This payment was at the rate of $8 per ton for peanuts produced on the farm for sale in 1934, with the proviso that the aggregate benefit payment should not be less than $2 per acre for each allotted acre in 1935. This was for the protection of contracting growers whose 1934 crop was below normal because of the drought or other reasons.

Provisions were also made in the contract for dividing the benefit payments with sharecroppers and share tenants producing peanuts on the farm in 1935. The grower agreed not to reduce the number of tenants and sharecroppers engaged in growing peanuts on the farm in 1935 below the number so engaged on the farm in 1934, nor to reduce their share of peanut acreage from that of 1934.

GROWERS' PARTICIPATION IN THE PEANUT-ADJUSTMENT PROGRAM

In 1935 peanut production adjustment contracts were signed by 68,622 growers, or approximately 78 percent of the estimated number of growers, who derive a substantial cash income from peanuts. The distribution of contracts by States and the acreage involved are shown in table 69:

TABLE 69.—*Number of peanut production-adjustment contracts and acreage under contract in 1935, by States*

State	Number of contracts	Acreage basis for 1935 allotment		1935 allotted acreage
		1933	1934	
		Acres	*Acres*	*Acres*
Virginia	7,851	130,026	133,836	138,602
North Carolina	15,665	195,435	216,157	217,444
Tennessee	488	3,730	4,702	4,818
Georgia	19,803	360,705	418,275	447,686
Florida	3,107	36,279	43,640	47,462
South Carolina	476	2,805	5,428	5,367
Alabama	9,892	155,291	183,964	189,301
Texas	8,437	141,805	177,768	181,927
Oklahoma	2,871	24,972	32,853	33,807
New Mexico	32	388	454	477
Total	68,622	1,051,436	1,217,077	1,266,891

Although the acreage allotted to contracting growers for 1935 in accordance with the contracts was, as is shown above, about 4 percent larger than the acreage which they grew in 1934, the acreage actually planted by these growers in 1935 was less than in 1934. Noncontracting growers, however, made substantial increases in acreages, so that the total acreage harvested in 1935 was about 4.5 percent larger than the 1934 acreage. In addition, there was a substantial increase in the yield per acre, the 1935 yield being 14 percent larger than that of 1934 and 9 percent larger than the 1928–32 average yield. Consequently, the total production of peanuts in 1935 exceeded that of 1934 by about 19 percent.

V. THE 1935 DIVERSION PLAN

The diversion plan for the 1935 crop approved by the Secretary on October 12, 1935, contemplated the diversion of a sufficient quantity of peanuts from normal trade channels to maintain approximately the average farm prices received for the 1934 crop. The 1935 peanut production for sale is estimated at approximately 1,070 million pounds, or an increase over 1934 of 17 percent. It is possible that as much as 270 million pounds of the 1935 crop may be crushed for oil, leaving around 800 million pounds for the edible trade.

This diversion is made possible by a favorable oil price situation brought about by a lower than usual supply of vegetable oils and other fats.

BASIC RATES OF DIVERSION PAYMENTS SPECIFIED

The basic rates of diversion payments were the same to both millers and contracting growers, and were specified in the Secretary's offers for the period beginning October 14, 1935, at $19 a ton for

Virginia type peanuts, \$9.50 a ton for Spanish, and \$3 a ton for Runners, subject to adjustment on the basis of changes in the average price of refined cottonseed oil from 10 cents per pound.

For each one-tenth of a cent by which the price of cottonseed oil increased above 10 cents per pound, the amount of the diversion payment was reduced 50 cents per ton below the specified rate. Likewise, for each decrease of one-tenth of a cent per pound in the price of cottonseed oil, below 10 cents per pound, the specified rate of diversion payment was increased by 50 cents per ton. These rates are calculated for each month in which the program is in effect.

These diversion-payment rates tended to establish prices to growers at \$60 a ton for Virginia type peanuts, \$62.50 for Spanish, and \$52.50 a ton for Runner type peanuts, during the period October 14 to November 15, 1935, and \$2.50 per ton higher thereafter for each of these three major types of peanuts.

GROWERS' 1935 RETURNS INCREASE

It is estimated that receipts to peanut growers for the 1935 crop, exclusive of benefit payments, will aggregate \$34,240,000 compared with \$29,671,000 for the 1934 crop, \$20,913,000 for the 1933 crop, and only \$12,947,000 for the 1932 crop. Cash income for the 1935 peanut crop represents an increase by approximately 64 percent over that received for the 1933 crop before the inauguration of diversion plans for the two succeeding crops.

In addition to the cash income from peanut sales, total benefit payments were estimated at \$3,710,000, of which peanut growers had received \$2,429,249 on December 31, 1935.

The average farm price received for peanuts was 3.25 cents per pound for the 1934 crop and the preliminary price estimate for the 1935 crop is 3.2 cents. This compares with 2.8 cents and 1.47 cents per pound, respectively, for the 1933 and 1932 crops. The cash income from peanuts, peanut prices, production, and acreage since 1927 are shown in table 70:

TABLE 70.—*Acreage, production, sales, price, and cash income from peanuts, 1927–35*

Year	Acreage harvested	Production for nuts	Sold or for sale	Farm price per pound	Cash income
	1,000 acres	*1,000 pounds*	*1,000 pounds*	*Cents*	*1,000 dollars*
1927	1,142	864,549	740,322	5.05	37,361
1928	1,211	855,096	722,396	4.92	35,544
1929	1,360	956,448	823,039	3.69	30,361
1930	1,133	747,085	623,140	3.49	21,757
1931	1,419	1,097,930	943,765	1.94	18,355
1932	1,607	1,037,840	881,303	1.47	12,947
1933	1,345	920,505	746,407	2.80	20,913
1934	1,571	1,063,035	914,293	3.25	29,671
1935 [1]	1,642	1,264,455	1,070,000	3.20	34,240

[1] Preliminary.

VI. THE PEANUT ADJUSTMENT PROGRAM SELF-SUPPORTING

In order to finance the peanut adjustment program, including diversion payments thereunder, a processing tax of 1 cent a pound

on peanuts, farmers' stock weight, was established, effective October 1, 1934. The full statutory rate at that time under the provisions of the Agricultural Adjustment Act—the difference between the current average farm price and the fair exchange value—would have been 2.8 cents per pound.

After investigation and public hearing, the Secretary found that a processing tax at that rate would cause such reduction in domestic consumption as to result in the accumulation of surplus peanut stocks or in the depression of farm prices of peanuts. On the basis of testimony also presented at the hearing, levy of the tax was suspended on peanuts used in the manufacture of peanut oil. The processing tax rate after October 1, 1934, was maintained at the 1-cent level.

Net receipts under the peanut program for the period October 1, 1934, to December 31, 1935, aggregated $3,702,920 and disbursements amounted to $2,429,249.

VII. CONTRACTS FOR 1936–39

Production-adjustment contracts entered into by peanut growers were for the 1935 crop only. As a basis for developing a proposed program for 1936 and succeeding years, 21 meetings were held in June and July 1935 by representatives of the Agricultural Adjustment Administration at points convenient to growers in every peanut-growing State. A meeting held for the same purpose in Washington, on August 9 and 10, 1935, was attended by peanut growers, handlers, millers, manufacturers of peanut products, and representatives of the Department of Agriculture. Public hearings were also conducted in Washington on September 11, and attended by representatives of these groups.

At the close of 1935, contracts for the years 1936–39, proposed by the Agricultural Adjustment Administration on the basis of these meetings and public hearings, were under consideration. Two features of the proposed contracts that differed from provisions of previous contracts were:

(1) A provision that the acreage planted to peanuts in each year in which the contract is in effect should be limited to the allotment prescribed by the Secretary, but in no year should the reduction be more than 30 percent below the base acreage.

(2) Benefit payments should be made at a rate per 100 pounds of the base production for the farm covered by contract, consistent with the funds available for making payments, instead of being based on the 1934 production, as specified in contracts for the 1935 crop. For 1936, however, a minimum payment of 50 cents per 100 pounds of base peanut production was proposed.

PRODUCTION-ADJUSTMENT PROGRAM DISCONTINUED AFTER HOOSAC MILLS DECISION

The production-adjustment program for peanuts was discontinued as a result of the Hoosac Mills decision of the Supreme Court on January 6, 1936. The diversion programs for peanuts were not affected by the decision. The marketing agreements had been terminated before the date of the decision.

CHAPTER 18

POTATOES

SALIENT FACTS ABOUT POTATO PRODUCTION AND SALES

1. 1929–34 average production......bushels..	349, 472, 000
2. 1936 sales allotment......do....	226, 600, 000
3. Estimated crop necessary to provide 1936 sales allotment..do....	350, 000, 000
4. Number of farms reporting the production of potatoes in 1934..	3, 101, 640
5. Estimated number of farms selling potatoes in 1934..........	665, 000
6. Number of farms which were expected to apply for allotments of tax-exemption stamps under the Potato Act of 1935........	600, 000

Frequently, in recent years, potato crops have been excessive and prices low in consequence. While the farmer largely dependent upon potatoes for income has faced serious financial difficulties in such years, the potato consumer has not profited proportionately from the low prices the farmer received, because transportation and marketing costs are fixed. Elimination of excessive variations in potato production would benefit both the grower and the consumer.

In 1934, a year of heavy potato production, the farm value of the crop dropped to $180,761,000, as compared with the annual average of $262,723,000 for the years 1929–33, and $390,657,000 for the years 1919–28.

I. POTATO PRODUCTION, SALES, AND PRICES

Potatoes are far more important in the diet of the Northern States than of the Southern States. The annual per-capita consumption of potatoes in the United States is usually around 2.4 bushels. Although they are grown on many farms only as food for the farm family, potatoes as a source of cash farm income usually rank fifth among all farm crops.

Potatoes are grown in almost every county of each State in the Union, but commercial production is largely centralized in definite areas. The 1935 farm census shows that with a total of 6,812,049 farms in the United States, potatoes were grown on 3,101,640. The 1930 census shows that of 2,982,677 farms reporting the production of potatoes, only 633,315 farms reported potato sales. During 1929–34 an average of 3,209,000 acres were planted to potatoes, the average production being 349,472,000 bushels.

Potato production in the United States is classified as the early, the intermediate, and the late or main crops. Late potatoes comprise about 85 percent of the total crop of the country. The seven prin-

cipal producing States are Maine, New York, Minnesota, Pennsylvania, Michigan, Wisconsin, and Idaho, which during 1930–34 together accounted for an average annual potato production of 192,777,000 bushels or 54.5 percent of the United States average total. Early and intermediate potatoes comprise approximately 15 percent of the United States potato crop, the leading producing States being Virginia, North Carolina, and New Jersey.

MOVEMENT OF LATE CROP OVERLAPS EARLY CROP

The marketing season for the potatoes harvested during a calendar year extends over a period of about 19 months. Movement of the early crop begins about January, reaches considerable volume in April, and continues until about June or July, when the intermediate crop movement begins. This movement continues in volume until September, when movement from the late States starts. The movement of late potatoes continues until the following June and results in considerable overlapping with the early crop of the following year.

About 63 percent of the total potato crop is customarily sold, as indicated in table 71. Of the remainder, about 19 percent is ordinarily used for food on the farm where grown; about 10 percent is usually required for seed; and around 8 percent is unfit for food or seed, or is wasted. Potatoes are fed to livestock and used for other low-value purposes in amounts that vary widely from year to year, depending upon prices and the size of the crop.

TABLE 71.—*United States acreage, production, farm value, price and sales of potatoes, 1919–35*

Year	Acres harvested	Production	Farm price [1]	Total farm value [2]	Sales [3]	Total sales value
	1,000 acres	*1,000 bushels*	*Cents per bushel*	*1,000 dollars*	*1,000 bushels*	*1,000 dollars*
1919	3,300	297,341	191.1	568,259	195,005	372,654
1920	3,301	368,904	133.2	491,561	247,366	329,492
1921	3,598	325,312	113.5	369,109	212,563	241,259
1922	3,946	419,288	68.6	287,792	270,132	185,310
1923	3,378	366,356	91.5	335,310	235,549	215,527
1924	3,110	384,837	71.5	274,972	241,678	172,800
1925	2,819	297,567	166.3	494,765	188,360	313,243
1926	2,813	322,350	136.3	439,469	208,560	284,267
1927	3,166	368,813	108.9	401,788	249,686	271,908
1928	3,469	425,626	57.2	243,542	259,206	148,266
1929	2,973	327,652	131.5	430,950	211,663	278,337
1930	3,030	332,693	91.5	304,558	215,252	196,956
1931	3,366	372,994	46.4	173,100	235,732	109,380
1932	3,379	357,871	39.5	141,328	207,207	81,847
1933	3,194	320,203	82.3	263,680	207,171	170,502
1934	3,312	385,421	46.9	180,761	245,813	127,085
1935 [4]	3,271	356,406	58.6	208,854	([5])	([5])

[1] Weighted season average price.
[2] Farm value obtained by multiplying production by farm price.
[3] Data for the years 1924–34, inclusive, were prepared from published reports of the Bureau of Agricultural Economics. Data for years prior to 1924 were estimated by the Economic Section, Division of Tobacco, Sugar, Rice, Peanuts, and Potatoes, Agricultural Adjustment Administration, on the basis of carlot shipments, indicated local and truck movement, and the 1924–34 relationship of production and price to percent of crop sold.
[4] Preliminary.
[5] Data not available.

The two leading potato-shipping States, Maine and Idaho, have sold 80.5 percent and 80.4 percent, respectively, of their production during the past 5 years, while the sales of some States are as low as

16 percent of production. The six leading potato-consuming States, each with a large industrial population, are New York, Illinois, Ohio, Pennsylvania, Michigan, and Massachusetts. These States use around 47.5 percent of the potatoes consumed in the United States. The six principal potato-consuming centers are New York City, Chicago, Boston, Philadelphia, Los Angeles, and St. Louis.

FARM PRICES LARGELY DETERMINED BY SUPPLY

Farm prices of potatoes are largely determined by the supply available for sale although prices for other commodities and general business conditions also affect potato prices. The demand for potatoes is very inelastic. This means that, generally speaking, when the supply of potatoes is short, consumers pay high prices. In years of large crops the farmer receives very low prices for his potatoes, but fixed transportation and marketing costs and other factors prevent the consumer from sharing proportionately in the lower prices.

Years of large potato crops and low prices have generally been followed by short crops and high prices. These in turn have resulted in increased production and reduced prices. (See table 70.) The grower bears the brunt of low prices in years of heavy production and the returns in years of high prices fail to make up for the loss in low-price years.

During the depression years, potato growers were adversely affected by low prices resulting in part from reduced consumer purchasing power and in part from large potato crops. Following the relatively favorable prices in 1929 and 1930, large crops were planted in 1931 and 1932 and this resulted in prices being about 50 percent of the parity level. In 1933, however, as a result of the 2 preceding unfavorable years, the acreage of potatoes was reduced substantially. Notwithstanding the fact that the 1933 crop was around 30 million bushels below the volume necessary to provide the usual level of consumption, prices were slightly below parity. Following the comparatively favorable prices in 1933, the acreage was again increased in 1934 and prices fell about 50 percent from the parity level.

RELATIONSHIP OF PRODUCTION TO FARM VALUE

Potato production since 1919 has ranged from less than 300 million bushels to more than 425 million bushels. Potato growers as a whole receive a greater total income from the sale of small crops than from the sale of large crops. Statistical studies show, for example, that under prevailing demand conditions potato producers in the United States can expect to receive approximately 75 million dollars more for a crop of 350 million bushels than for one of 400 million bushels. These statistical analyses further show that two crops of 350 million bushels each will give potato growers a larger return and cost consumers less than will one crop of 300 million bushels and another of 400 million bushels.

The influence of excessive crops upon farm prices and farm value has already been seen from the data in table 71. The relationship between potato production and purchasing power is further illustrated in figure 6.

Two typical instances of higher total farm value for average or medium-sized crops than for large crops may be pointed out from table 70 and figure 6. Total potato production in 1928 was 425,-600,000 bushels, or 57 million bushels more than the 1927 crop of 369 million bushels. Yet the total farm value of the larger crop in 1928 was 158 million dollars less than the value of the 1927 crop. Again the 1934 potato crop exceeded the 1933 crop by 65 million bushels, yet the farm value of the smaller 1933 crop was 71 million dollars greater.

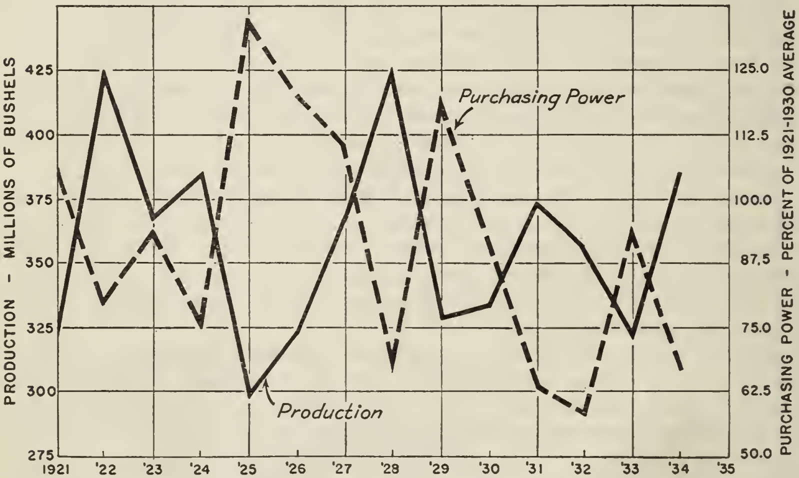

FIGURE 6.—Production and purchasing power of potatoes, 1921–35.

II. EVENTS LEADING TO PASSAGE OF THE POTATO ACT OF 1935

In response to requests from important potato-producing sections of the country, the Potato Act of 1935 was enacted by Congress and was approved August 24, 1935. Sentiment for passage of this legislation apparently originated with potato growers in the Southeastern States, who were already familiar with cotton and tobacco production control under the Agricultural Adjustment Act.

Measures for relieving the conditions in their areas were discussed at a large meeting of potato growers from Virginia, South Carolina, and North Carolina, held at Washington, North Carolina, September 21, 1934. Representatives from these three States and from Maryland and Florida later met in Washington, D. C., October 18, 1934.

COMMITTEE HAD PART IN LEGISLATION

These growers expressed the desire for a control program for potatoes as a basic commodity. At this meeting there was formed the potato program development committee which played an important part in steps leading to potato legislation.

The formulation and establishment of a national potato program was discussed in numerous meetings of growers in several important

potato-producing areas. At a general meeting of the potato program development committee in Washington, January 18 and 19, 1935, attended by representatives from 23 States, various proposed programs prepared at the request of a meeting held December 13, 1934, were examined and discussed in detail. At this meeting, and at the following one on February 13, there was expressed sentiment strongly in favor of legislation to designate potatoes as a basic agricultural commodity under the Agricultural Adjustment Act with the addition of provisions similar to those of the Kerr-Smith Tobacco Act and the Bankhead Cotton Act.

These developments led to the introduction in the House of Representatives on February 21, 1935, of a bill, the potato bill H. R. 6082.

The potato bill, after several revisions, was reported favorably July 23, 1935, by the House Committee on Agriculture. Both houses of Congress passed the bill August 14 and it was approved by the President on August 24, as the Potato Act of 1935.

III. PROVISIONS OF THE POTATO ACT OF 1935

After the passage of the Potato Act, the National Potato Advisory Committee was formed. This committee was composed of 16 members representing the leading commercial potato-producing areas of the United States. The committee cooperated closely with the Agricultural Adjustment Administration in formulating the potato program and in recommending changes.

At the time of the passage of the Potato Act, the Agricultural Adjustment Act was amended to include potatoes in the list of basic commodities. This amendment made it possible to use voluntary agreements with producers to adjust production, as well as marketing agreements and surplus-diversion programs, to improve the situation of the potato industry. The base period defined for potatoes was August 1919 to July 1929.

THEORY OF THE ACT

The act was based upon the principle that enough potatoes to meet ordinary consumption needs should be sold free from tax, while the tax would discourage the production and sale of potatoes in excess of normal needs. This, in turn, was expected to maintain prices that would give potatoes approximately the purchasing power they had had in the base period, August 1919 to July 1929.

It is estimated that potatoes are produced for sale by about 665,000 of the about 3,150,000 potato growers in the United States. The remaining 2,485,000 growers would not have been affected by the Potato Act so long as they did not sell potatoes. The act provided that persons whose average annual sales of potatoes from 1932 to 1935 were less than 5 bushels were entitled to a tax-exempt allotment upon application therefor, equal to such average sales.

At a conference in Washington, November 20–21, 1935, of the National Potato Advisory Committee, representing all important potato-producing sections of the United States, the viewpoint was expressed that the intent of the Potato Act was to prevent the periodic production of large commercial surpluses with their ruinous

price-depressing effects, and not to interfere in any way with the established practices of the small noncommercial potato grower.

NATIONAL AND STATE SALES ALLOTMENTS

Under section 203 of the Potato Act, the Secretary of Agriculture was required to establish a national tax-exempt sales allotment for each allotment year (Dec. 1 to Nov. 30). For this purpose, the Secretary was required to investigate probable production and market conditions for each allotment year and to determine, from available statistics, the quantity of potatoes which, if produced and sold, would tend to establish and maintain such balance among production, sale, and consumption of potatoes, and such marketing conditions therefor as would result in parity prices to potato producers.

The act provided that the quantity of potatoes so determined as the national tax-exempt sales allotment should be proclaimed at least 30 days prior to December 1, the beginning of each allotment year, and apportioned to the various States. The apportionment to each State was the same proportion of the national sales allotment as the product of the following three items is of the total of such products for all the States: (1) the average of the four highest acreages of potatoes for the State during the years 1927–34, (2) the average of the four highest per acre potato yields for the State during this period, and (3) the average percentage of the crop of the State sold during the years 1929–34.

ALLOTMENTS TO GROWERS

Applications for sales allotments were to be made by growers in the counties in which they produced potatoes. Individual sales allotments were based on past production and sales of potatoes. At least 95 percent of each State allotment was to be apportioned to farms upon which potatoes had been grown at any time during the period 1932–34, and not over 5 percent was to be available for farms operated by persons who were beginning the production and sale of potatoes, or who formerly had been engaged therein.

These provisions were designed to assure protection to old producers and yet provide for the sale of potatoes by growers who did not grow potatoes during any of the years 1932–34 or who otherwise were not eligible for sales quotas under the first classification.

TAX UPON FIRST SALE

The Potato Act levied a tax of three-fourths of 1 cent per pound, to be paid by the seller, upon the first sale of potatoes harvested on or after December 1, 1935. It also provided that if the Secretary of Agriculture found that at any time a tax at this rate would tend to adversely affect the orderly marketing of potatoes, to depress the farm price, or to cause excessive shifts in consumption from potatoes to other commodities, the tax rate should be reduced to a lower rate, which was to be not less than one-half cent per pound.

The responsibility for the collection of the tax levied under the Potato Act was placed upon the Bureau of Internal Revenue.

Tax-exemption stamps were to be issued to growers in each county to cover the quantity of potatoes specified in their sales allotment. On the initial sale by the producer, tax-exemption stamps were to be affixed to the container in which the potatoes were sold. In the case of first sale of potatoes in bulk, with consequent postponement of packaging, the seller was required to furnish the buyer with stamps covering the quantity of potatoes sold.

Potatoes sold in excess of tax-exempt sales allotments or those sold by growers who did not receive allotments of tax-exempt stamps were subject to a tax of three-fourths of a cent per pound, to be paid by the producer. This was for the purpose of checking sales of excessive quantities of potatoes.

The potatoes sold by retailers did not represent the first sale unless the retailer had grown the potatoes he sold. A buyer violated the act only when he knowingly purchased potatoes directly from a grower who had failed to comply with the packaging and tax-stamp requirements of the act.

Tax stamps to be affixed to containers of potatoes sold in excess of the grower's sales allotment were obtainable at local post offices. For this purpose, however, the grower might, if they were available, obtain additional tax-exemption stamps from other potato growers whose sales fell short of their allotments. The price of such tax-exemption stamps and the method of transfer from one grower to another were fixed in regulations issued by the Secretary of Agriculture.

GROWER REFERENDUM

The act required that at least 30 days prior to the beginning of each allotment year after the first allotment year, a referendum be conducted to afford potato growers an opportunity to vote for or against continuing the tax levied on potatoes under the act. Each producer who was entitled to an allotment could cast one vote. The provisions of the act were to be inoperative for the succeeding allotment year, unless the majority vote was favorable. The first allotment year was to have ended on November 1, 1936.

IMPORTS AND EXPORTS

To protect domestic potato growers, quotas for imports of potatoes from any foreign country or territory or possession of the United States were provided. These quotas were based on past importations into the United States during the period 1929–34. Potatoes in excess of these quotas were to be subject to an internal-revenue tax of three-fourths of a cent per pound, the same as that levied on domestic sales in excess of the tax-exempt sales allotment. An exemption was made for potato imports from Cuba during the months of December, January, and February, unless it was determined that such importations were depressing prices in the domestic market.

Potato imports tax-free within the import quotas were nevertheless subject to the customs duty, which in general was levied at the rate of three-fourths of a cent per pound. On potato imports in excess of the quotas, both customs duty and internal-revenue tax were levied.

The total tax-exempt potato import quota for the 12-month period beginning December 1, 1935, was placed by the Secretary at 2,800,140 bushels. This quantity represented only 1.2 percent of the national tax-exempt allotment of 226,600,000 bushels for the same period.

Potatoes exported from the United States to foreign countries or possessions of the United States were exempted from the tax. Exports usually amount to less than one-half of 1 percent of the crop.

MARKETING AGREEMENTS

Marketing agreements and a proposed surplus-diversion plan for potatoes were under consideration in 1935 and the early months of 1936. The aim was to strengthen prices by keeping low-grade potatoes off the market and by diverting potatoes to industrial uses. Although the marketing agreements and diversion program were not made effective, a substantial increase in the price of potatoes occurred and was maintained.

IV. ACTIVITIES UNDER THE POTATO ACT OF 1935

Administrative provision within the Agricultural Adjustment Administration was established in August and September 1935 to formulate, in cooperation with representatives of the growers, a national potato program under the provisions of the Potato Act and the Agricultural Adjustment Act as amended.

Public hearings on the potato situation were held in Washington on October 3 and were attended by approximately 600 growers. At this time potatoes were selling in many cases for less than half of parity, and sentiment was expressed at the hearings favoring a program which would substantially increase prices. Grower representatives and committees cooperated with officials of the Agricultural Adjustment Administration in devising a program which included (1) a diversion plan, and (2) marketing agreements to apply to the 1935 crop.

PROPOSED PROGRAM ANNOUNCED OCTOBER 18, 1935

Announcement of the proposed potato program by the Agricultural Adjustment Administration was made on October 18, 1935.

A national tax-exempt sales allotment of 226,600,000 bushels of potatoes for the allotment year beginning December 1, 1935, was proclaimed by the Secretary on November 1. This national allotment is equal to the average annual sales of potatoes during the 5-year period 1929–33. As provided, 2 percent of the national sales allotment was reserved for the purpose of adjusting the apportionments to the several States owing to differences in production and marketing practices. Apportionment of the national sales allotment among the various States, according to the formula above described, is shown in table 72.

TABLE 72.—*Distribution of national potato sales allotment among States for the allotment year beginning Dec. 1, 1935*

State	Allotment	State	Allotment
	(1,000 bu.)		*(1,000 bu.)*
Alabama	1,332	New Hampshire	955
Arizona	200	New Jersey	6,129
Arkansas	910	New Mexico	200
California	7,017	New York	18,321
Colorado	10,126	North Carolina	4,375
Connecticut	1,688	North Dakota	4,974
Delaware	244	Ohio	5,552
Florida	3,087	Oklahoma	1,221
Georgia	333	Oregon	3,953
Idaho	16,833	Pennsylvania	14,124
Illinois	600	Rhode Island	377
Indiana	1,688	South Carolina	1,999
Iowa	1,399	South Dakota	1,221
Kansas	2,221	Tennessee	533
Kentucky	1,044	Texas	1,910
Louisiana	1,199	Utah	1,443
Maine	32,799	Vermont	1,199
Maryland	2,110	Virginia	10,348
Massachusetts	1,466	Washington	5,818
Michigan	14,767	West Virginia	955
Minnesota	13,746	Wisconsin	11,548
Mississippi	222	Wyoming	2,021
Missouri	1,488	2-percent reserve	4,532
Montana	799		
Nebraska	5,130	Total United States allotment	226,600
Nevada	444		

When the marketing season for the 1935 crop of late potatoes opened in September, the farm price in the surplus late States was 46 to 48 cents per bushel, or about 45 percent below parity. Prices advanced in November to an average of 58.2 cents per bushel, or 76.2 percent of parity; by the close of 1935 these prices had declined by about 10 percent. Price developments at five leading shipping points for late potatoes are shown in table 73.

TABLE 73.—*Prices at 5 leading shipping points for the 1935 late crop of potatoes*

Week, 1935	Presque Isle, Maine	Idaho Falls, Idaho	Waupaca, Wis.	Grand Rapids, Mich.	Rochester, N. Y.	Average for 5 markets
	Cents per bushel	*Cents per bushel*	*Cents per bushel*	*Cents per bushel*	*Cents per bushel*	*Cents per bushel*
Sept. 23–28	18	22	24	33	------------	24
Oct. 7–12	26	25	24	32	------------	27
Oct. 21–26	41	31	24	30	40	33
Nov. 4–9	70	62	36	44	53	53
Nov. 18–23	64	50	41	50	58	53
Dec. 2–7	58	48	42	50	58	51
Dec. 23–28	53	51	39	46	55	49

Average farm prices for potatoes during 1935 were estimated by the Bureau of Agricultural Economics at 58.6 cents per bushel, as compared with 46.9 cents for 1934.

STAMPS DISTRIBUTED TO EARLY STATES

By the close of 1935, a small number of tax-exemption and tax stamps had been distributed to the early-potato States for use in connection with immediate sales of the crop being harvested.

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Treasury advances in anticipation of taxes levied under the act totaled $27,000 on December 31, 1935, and proceeds from the sale of stamps on that date totaled $257.57. No expenditure had been incurred against the advances at the close of 1935.

POTATO ACT REPEALED FEBRUARY 10, 1936

The Potato Act of 1935, enacted as sections 201–233 of the act of August 24, 1935, Public, No. 320, was repealed on February 10, 1936. Authority for marketing-agreement and surplus-diversion plans under the Agricultural Adjustment Act were not affected by the Hoosac Mills decision of the United States Supreme Court.

CHAPTER 19

RYE

SALIENT RYE FACTS

1. Number of farmers growing rye as grain (1929 census)		175, 184
2. Acres harvested as grain, average:		
1928–32	acres	3, 296,000
1934	do	1, 942, 000
1935	do	4, 063, 000
3. Production, average:		
1928–32	bushels	38, 655, 000
1934	do	16, 045, 000
1935	do	57, 936, 000
4. Price, average:		
1928–32	cents per bushel	54. 9
1934	do	71. 3
1935 (preliminary estimate)	do	38. 4
5. Estimated annual domestic requirements	bushels	32, 000, 000
6. Percent of downward adjustment asked of contract signers		25
7. Estimated annual human domestic consumption	bushels	16, 000, 000
8. Rate of processing tax on rye processed for human consumption	cents per bushel	30

A rye adjustment program was inaugurated in the summer of 1935 under the provisions of the Agricultural Adjustment Act, but was not put into operation during 1935. The 1936 crop would have been the first affected by the program.

Before the close of 1935, however, the program had been worked out in detail, and many farmers had signed applications for rye-adjustment contracts. The program was extremely flexible and was designed to differentiate between rye harvested as grain and rye put to other uses. It applied only to rye harvested as grain.

I. SITUATION OF RYE GROWERS IN 1935

In addition to being harvested as grain, rye, in many areas, is also pastured, cut as hay, or turned under as green manure. Rye is grown commercially for grain in more than 30 States, but 90 percent of the rye harvested as grain is grown in 16 States—Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Ohio, Pennsylvania, New York, New Jersey, Wisconsin, and Iowa. The 1929 census reported about 175,000 rye growers. The Adjustment Administration anticipated that 75,000 to 100,000 contracts, covering the greater part of the country's acreage, would have been signed.

FARM PRICE DECLINED SHARPLY

In the summer of 1935 the farm price of rye began to drop sharply, bringing serious consequences to commercial growers. The average farm price for the 1934–35 crop year was 71.3 cents a bushel. By September 15, 1935, it had declined to 36.5 cents a bushel. The parity, or fair-exchange, price of rye on September 15, 1935, was 90.7 cents a bushel. The preliminary estimate of the average farm price for the 1935 crop is 38.4 cents a bushel.

THREE FACTORS CAUSED DROP IN PRICE

Three factors were responsible for the price decline. First, 1935 production, after 2 years of drought, was unusually large—57,936,000 bushels, as compared with 16,045,000 bushels in 1934 and a 38,655,000 average for 1928–32. Second, the former export outlets for rye had been sharply limited. For the 1927–28 year net exports were 26,064,000 bushels. Since then exports have declined steadily. Third, for the crop years 1933–34 and 1934–35 the United States was a net importer of rye, but after the 1935–36 harvest, supplies were about double the average domestic annual requirements of 32,000,000 bushels.

II. AMENDMENTS TO ACT DESIGNATED RYE AS BASIC CROP

The first step in the rye program was taken when amendments to the Agricultural Adjustment Act were approved on April 7, 1935. The amendments included a provision designating rye as a basic commodity, thereby opening the way for an adjustment program.

Rye was included as a basic commodity at the request of farmers. Immediately after passage of the amendments, the Agricultural Adjustment Administration made a study of the rye situation, especially as it applied to a processing tax on rye and adjustment payments to rye farmers. No other action was taken, however, because in the 1934–35 crop year, as in the preceding year, rye prices were on an import basis, even though the farm price continued to be below parity.

REPRESENTATIVE GROWERS OUTLINE TENTATIVE PROGRAM

By June of 1935 a rye crop large enough to give the United States an exportable surplus clearly was on the way. Late in June the Adjustment Administration invited representative growers to a conference in Washington on July 3, to work out a tentative outline for a rye program.

On July 2 the Secretary of Agriculture announced that a rye adjustment program would be initiated, and that adjustment payments to farmers would be made. The rye farmers met the next day, and agreed on principles and methods which became the basis of the subsequent program.

On August 24, 1935, the President signed amendments to the Adjustment Act, which included provision for a processing tax on rye processed for human consumption. The tax was effective September 1, 1935. The rate was 30 cents a bushel. In the main the tax applied to rye processed for food and for distilling.

The recommendations made by rye growers at the meeting on July 3 were shaped into a tentative program by the Agricultural Adjustment Administration. The tentative program was studied at two public hearings—one at Aberdeen, S. Dak., on August 29; and one in Washington, D. C., on September 6, at which interested parties, including farmers and processors, testified on two questions of primary importance.

The first question was whether the current average farm price of rye was less than the fair-exchange value, or likely to be less than the fair-exchange value. The second was whether the rye situation was such that exercise of the power to adjust rye production and acreage through agreements with producers and other voluntary methods would be administratively practicable and best calculated to carry out the policies of the Adjustment Act.

PRICE DETERMINED TO BE BELOW PARITY

The testimony at the two hearings indicated that the farm price of rye was below parity, and was likely to continue so, and that the proposed rye adjustment program was practicable. On October 18, Secretary Wallace approved the program and the contract through which it was to be made effective.

The objective of the program was to increase farmers' income from rye without inducing any scarcity detrimental to the interests of consumers. Specific objectives were to help farmers get a fair-exchange price, to adjust rye production to domestic requirements and prospective foreign demand, and to prevent accumulation of surpluses.

III. FOUR-YEAR CONTRACT PLANNED

The contract designed to attain those ends was to be of 4 years' duration, beginning with 1936 and running through 1939. It provided for adjustment payments to farmers who would adjust their acreage of rye harvested as grain, to 75 percent of their average past acreage harvested as grain. The 75-percent figure was subject to an increase in any year if the Secretary of Agriculture, before harvest, determined that a larger harvested acreage was needed to meet requirements.

Insofar as planting rye was concerned, contract signers assumed only one obligation. They agreed to plant each year for harvest as grain at least 54 percent of the rye acreage they usually harvested as grain. That clause in the contract was a protection to consumers, tending to assure them that enough rye would be harvested to meet domestic needs.

COMPLIANCE DEPENDED ON HARVESTING AS GRAIN

A contract signer who lived up to the minimum planting requirement could plant as much rye as he wished, and still be in full compliance with his contract. He could plant his full base acreage, or more than his base acreage, so long as he harvested as grain only the 75 percent of his base, or other percentage determined by the Secretary of Agriculture.

Rye allowed to mature and fed to animals as it stood in the field was considered rye harvested as grain. This meant, in practice, that rye in excess of the 75 percent would have to be used for pasture, cut as hay, or plowed under as a green manure crop. Contract signers who intended to plant only as much rye as they would harvest as grain could use the acres formerly in rye for soil-improving and soil-conserving crops and designate them as adjusted acres. They agreed not to use the adjusted acres for cash crops.

The provisions for unlimited planting of rye gave the adjustment program a flexibility necessary in view of the facts that abandonment of acreage through winter-killing varies widely from year to year, and that, in general, rye is used for purposes other than harvesting as grain. Without such a differentiation no program fair both to commercial rye growers and to farmers who plant rye for other purposes would have been practicable.

ACREAGE ALLOTMENTS ON 6-YEAR BASE

Acreage allotments to contract signers were to have been based on the 6 crop years 1930 through 1935. The first 3 years of the 6 were known as the "standard base period." Most rye growers would have received allotments on the basis of production in the standard period, with some adjustments based on their production since that time.

The years 1933, 1934, and 1935, the last 3 of the base period, were known as the "new base period." That period was established as the basis of allotments to farmers who had gone into rye production in recent years and who grew little or no rye for grain in the standard base period.

The average yield per acre for the 5 years 1928 through 1932 was made the standard for determining average production figures for each farm. The estimates of the yields for each farm were to be made by community committees and county-district allotment committees.

PROGRAM ADAPTED TO THREE CLASSES OF PRODUCERS

Farmers who had harvested rye as grain in at least 1 of the years of the standard base period, or in at least 2 of the years of the new base period, were eligible to sign contracts.

Generally speaking, the rye program was especially suited to the needs of three large classes of producers: (1) Farmers who had grown rye in the first base period and who had continued normal production into the second base period; (2) farmers who grew a little rye in the first base period but who increased production sharply in the second base period; and (3) farmers who did not grow rye in the first base period but who grew it on a moderate or large scale in the second period. Special regulations made it possible for farmers who had been growing rye in rotation with other crops to sign the contract and continue their regular rotation practices.

ADJUSTMENT PAYMENTS ON 30 PERCENT OF AVERAGE ANNUAL PRODUCTION

The contract provided for adjustment payments on 30 percent of each contract signer's average annual production. Thirty percent represents the portion of the average crop used for human consumption in the United States. Payments per bushel of allotment were to equal the difference between the average farm price for the crop year and the fair-exchange value for the same period, if the difference were not more than 35 cents a bushel. If the difference were more than 35 cents, the payment was to have been at least 35 cents.

Payments each year were to have been made in two installments; and following the general practice, a proportional share of the cost of local administration was to have been deducted from each signer's final installment.

ADMINISTRATION BY WHEAT-GROWERS' ASSOCIATIONS

As a general rule, sections which produce rye commercially also produce wheat. To avoid unnecessary expenses in sections where wheat associations already were set up, the local administration of the rye program was put in the hands of the wheat associations. Eventually, it was planned, the wheat associations would be reorganized under the name of grain associations.

In November and December details of the contract were sent out to rye-growing sections and discussed with farmers in many localities. Many farmers signed applications for contracts. No greater haste was necessary, even though practically all of the rye crop is fall seeded, for the contract concerned harvesting rather than seeding.

PROCESSING-TAX COLLECTIONS BEGAN SEPTEMBER 1

In the meantime, processing taxes on rye had been collected, starting September 1, 1935. Through December 31, collections in processing taxes and import compensating taxes were $145,829.89. About $700,000 in processing taxes on rye was held up by court order. No adjustment payments had been disbursed up to the close of the year 1935.

ADJUSTMENT CONTRACT PROGRAM ABANDONED

The decision of the United States Supreme Court in the Hoosac Mills case on January 6, 1936, made necessary the abandonment of the contemplated rye adjustment-contract program.

CHAPTER 20

DAIRY PRODUCTS

SALIENT FACTS ON THE DAIRY SITUATION

1. Percent average price of dairy products was of pre-war average in:	
1932	83
1935	108
2. Farm cash income from dairy products:	
1932	$985,000,000
1935	$1,250,000,000
3. Maximum number of fluid-milk sales areas to which licenses and agreements applied	52
4. Expenditures for dairy products under surplus-relief program	$22,626,432
5. Number of diseased cattle eliminated under Jones-Connally Act	1,337,217

About 3 million farmers in the United States sell milk in one form or other, and the cash farm income from milk and its products constitutes about one-fifth of the total cash farm income from agricultural production in the United States.

The number of milk cows on farms increased 16.6 percent from January 1, 1929, to January 1, 1933. Total milk production also increased, although milk production per cow steadily decreased. Farm prices of milk and its products declined sharply with the marked decrease in consumer demand. In March 1933 the level of farm prices of dairy products as a group was 55 percent lower than the average level in 1929. This was the critical situation confronting dairy farmers at the time when the Agricultural Adjustment Act was passed, and this situation directed the serious attention of leaders in the industry to possible programs to relieve the stress of heavy milk production, large storage stocks of dairy products, and disrupted milk markets.

Because of the regional differences in the dairying industry, the numerous forms in which milk and its products are marketed, and the divergent interests within the industry, complex problems were encountered in the efforts to develop a general production-adjustment program applicable to the industry as a whole. While such a program was not put into effect, other types of dairy programs, aimed toward improving the marketing system and reducing excessive storage stocks of dairy products were adopted.

Under the Agricultural Adjustment Act, the adjustment measures for dairying which were in effect in 1934 were continued with some modification in 1935. They include:

Licenses for fluid milk markets.
Marketing agreements for evaporated and dry skim milk.
Government purchases of dairy products for relief distribution.
Elimination of cattle infected with Bang's disease and tuberculosis.

I. RECENT CHANGES IN THE DAIRY INDUSTRY

Important developments in the dairy situation during the past 2 years include a decrease in number of milk cows, an improvement in demand conditions, and an upward trend in prices of dairy products.

During 1934 and 1935 the number of milk cows decreased 3 percent and 2.3 percent, respectively, in contrast to the annual increases of between 3.4 and 4.6 percent during the 5 preceding years and the long, almost continuous upward trend since 1900. (See table 74.) Although decreases occurred in nearly all geographic divisions, the greatest decreases were in the drought areas where extremely poor pasture and other feed conditions necessitated the disposal of large numbers of milk cows under the Government emergency cattle-purchase program and for slaughter in commercial channels.

TABLE 74.—*Number of milk cows 2 years old and over on farms in the United States on Jan. 1, 1900–1936, and percentage changes from previous year* [1]

Year	Number	Percentage change from previous year	Year	Number	Percentage change from previous year
	Thousands	*Percent*		*Thousands*	*Percent*
1900	15,253		1919	21,219	+0.9
1901	15,521	+1.8	1920	21,455	+1.1
1902	15,787	+1.7	1921	21,440	−.1
1903	16,073	+1.8	1922	21,822	+1.8
1904	16,459	+2.4	1923	22,099	+1.3
1905	16,842	+2.3	1924	22,288	+.9
1906	17,277	+2.6	1925	22,505	+1.0
1907	17,650	+2.2	1926	22,311	−.9
1908	17,937	+1.6	1927	22,159	−.7
1909	18,154	+1.2	1928	22,129	−.1
1910	18,206	+.3	1929	22,330	+.9
1911	18,244	+.2	1930	23,106	+3.5
1912	18,312	+.4	1931	23,885	+3.4
1913	18,526	+1.2	1932	24,982	+4.6
1914	18,930	+2.2	1933	26,030	+4.2
1915	19,526	+3.1	1934	27,059	+4.0
1916	20,064	+2.8	1935	26,236	−3.0
1917	20,541	+2.4	1936	25,622	−2.3
1918	21,021	+2.3			

[1] Compiled from reports of the Division of Crop and Livestock Estimates, Bureau of Agricultural Economics, U. S. Department of Agriculture.

GOVERNMENT PURCHASES RELIEVED DROUGHT SITUATION

The Government purchased 8,290,741 head of cattle during 1934 and the first 3 months of 1935, in order to relieve the critical situation in the drought-stricken areas which was resulting in heavy losses of cattle from thirst and starvation. Those fit for food were processed and distributed through relief channels. While most of the cattle purchased were beef animals, they included a substantial number of milk cows. The Bang's disease and tuberculosis elimination programs also accounted for part of the reduction in number of milk cows. The percentage decreases in the various geographic divisions, from January 1, 1934, to January 1, 1936, were 9.5 percent in the West North Central, 6.1 percent in the Western, 4.6 percent in the South Central, 3.6 percent in the East North Central, and 2.4 percent in the North Atlantic. There was practically no change in the South Atlantic division.

MILK PRODUCTION IN 1934 BELOW 1933 PEAK

Total milk production on farms in 1934 was about 3.3 percent less than the peak volume produced in 1933. Production per cow during most of 1934 was the lowest in 10 years, chiefly because of the extremely poor pasture and other feed conditions resulting from the severe drought. The shortages of feed grains and roughages exerted a marked influence on milk production during the 1934–35 winter months. With favorable pasture conditions in the summer of 1935 production per cow increased markedly and total milk production during the main pasture season was substantially greater than in the corresponding period of the previous year.

FARM PRICES TRENDING UPWARD SINCE MARCH 1933

The general trend in farm prices of dairy products has been upward since March 1933 when they were only 71 percent of the pre-war level as compared with 157 percent in 1929. The averages for 1933 and 1934 were 82 percent and 96 percent, respectively, of the pre-war level. Farm prices of dairy products increased substantially during the last half of 1934 and the average for the first 4 months of 1935 was 116 percent of the pre-war level. After receding to 97 percent in July, farm prices again increased during the fall months. The average for dairy products as a group in December 1935 was 118 percent of the pre-war level and 94 percent of parity as compared with only 65 percent of parity in March 1933.

The upward trend in prices was chiefly the result of a general improvement in demand conditions, a reduction in total milk production, Government purchases of dairy products for relief distribution, and improved marketing conditions under the marketing agreements and licenses.

II. MILK LICENSES, AGREEMENTS, AND ORDERS

LICENSES, AGREEMENTS, AND ORDERS FOR FLUID-MILK MARKETS

From May 12, 1933, when the Agricultural Adjustment Act became law, until January 1, 1936, the Agricultural Adjustment Administration issued licenses for milk distributors in 52 milk sales areas, one license for the national evaporated milk industry, marketing agreements for 15 milk sales areas, one marketing agreement for the national evaporated milk industry, and one marketing agreement for the national dry skim milk industry.

Up to February 1, 1934, agreements and licenses for fluid-milk markets included, in addition to schedules of minimum prices to be paid producers, schedules of wholesale and retail distributors' resale prices. The change in policy which became effective February 1, 1934, through cancelation of all fluid-milk marketing agreements, did away with the fixing of resale prices.

During the period in which resale price fixing was in effect, many difficulties were encountered. In some instances the establishment of resale prices appeared to "freeze" margins of distributors at questionable levels. In other cases, distributors demanded higher margins on the grounds that their operating costs had risen because

of recovery measures. Another problem was the difficulty of establishing an acceptable differential between store and delivered prices to milk consumers. A major problem was that of enforcing resale prices.

Since the primary purpose of the Agricultural Adjustment Act is to increase returns to producers of farm products, the modified milk policy concerned itself entirely with the establishment of producer prices, and left resale prices to forces of competition. When all milk-marketing agreements were canceled as of February 1, 1934, licenses which had supplemented these agreements remained in effect. Under the new policy of fixing producer prices only, the number of licenses put into effect in milk sales areas at the request of producer groups increased. At the end of 1934 licenses were in operation in a total of 49 milk sales areas.

On December 31, 1935, licenses were operating in 30 fluid milk markets: Ann Arbor, Mich.; Atlanta, Ga.; Battle Creek, Mich.; Boston, Mass.; Denver, Colo.; Des Moines, Iowa; Detroit, Mich.; Dubuque, Iowa; Evansville, Ind.; Fall River, Mass.; Fort Wayne, Ind.; Grand Rapids, Mich.; Kalamazoo, Mich.; Kansas City, Mo.; Leavenworth, Kans.; Lincoln, Nebr.; Louisville, Ky.; New Bedford, Mass.; Newport, R. I.; Omaha, Nebr.; Phoenix, Ariz.; Quad Cities (Davenport, Iowa, and Moline, East Moline, and Rock Island, Ill.); Richmond, Va.; San Diego, Calif.; Sioux City, Iowa; St. Louis, Mo.; Topeka, Kans.; Twin Cities (Minneapolis and St. Paul), Minn.; Tucson, Ariz.; and Wichita, Kans.

Licenses in 21 markets, many of which had been in operation only a short time, were terminated during 1935. Most of them were terminated because of the degree of cooperation among the interests in the markets in carrying out the provisions of the licenses was insufficient to make them reasonably effective. Several were discontinued because of injunctions by local courts or were replaced by programs adopted under State laws.

1935 AMENDMENTS ALTERED PROCEDURE

The amendments to the Agricultural Adjustment Act approved August 24, 1935, authorize the Secretary of Agriculture to enter into marketing agreements with milk producers and distributors and to issue orders in conjunction with such agreements. No new licenses have been issued under the amended act, but a related measure provides that existing licenses may continue in effect. The amendments to the act set forth specifically the procedure to be followed in the development of marketing agreements and orders, the conditions under which they may be issued, and the regulations which they may include.

An order may be issued in conjunction with a marketing agreement, with respect to which a public hearing has been held, to determine the economic facts about conditions in the market. The purpose of such an order is to provide for full compliance with the terms of the agreement among all interests in the market in order to assure its effectiveness. The provisions of an order must regulate the handling of milk in the same manner as does the marketing agreement upon which a hearing has been held. Such an order may be issued in conjunction with a marketing agreement, when the

latter has been signed by the handlers of at least half of the milk sold in the market. In no event can such an order be issued unless its issuance is approved by at least two-thirds of the producers, by number or by volume of production.

The act further provides that an order may be issued for a market even though the handlers of more than half of the milk decline to sign an agreement. Such action may be taken upon approval of two-thirds of the producers, by number or volume of production, if the Secretary finds, with the approval of the President, that the failure of the handlers to sign the agreement tends to prevent the effectuation of the policy of the act, and that the issuance of the order is the only practical means of advancing the interests of the producers.

PRINCIPAL PROVISIONS AUTHORIZED UNDER AMENDED ACT

The amended act provides for substantially the same marketing plans as those developed under licenses. The principal provisions that may be included in the marketing agreement and order for a fluid-milk market pertain to: (1) The classification of milk according to its use; (2) the establishment, or method of establishment, of a schedule of minimum prices to be paid by handlers, in accordance with such use classification, subject to certain adjustments with respect to quality, location or other differentials customarily practiced in the market; (3) uniform prices to producers under either a market-wide pool plan or an individual-handler pool plan; and (4) other regulations designed to prevent undesirable marketing practices. No order involving an individual handler-pool plan may be issued unless approved by three-fourths of the producers supplying the market, by number or volume of production.

While no marketing agreements and orders for fluid-milk markets were issued under the amended act in 1935, several proposals were under consideration. Orders were issued for the Boston and St. Louis milk markets in the early part of 1936, and orders for several other markets are in process of development. It is expected that the existing licenses will be replaced by agreements and orders as rapidly as possible.

PROGRAMS REQUIRE COOPERATION OF ALL GROUPS

Milk marketing agreements and orders are designed to establish not only a structure of prices for respective milk markets, but also a detailed plan whereby the prices received by each producer are equitably determined. Therefore it is necessary to plan and develop them in close contact with local problems and with the producers', consumers', and other interests concerned with them. From a practical point of view, each agreement and order presents several problems.

First, each market has its own peculiar circumstances. A marketing and pricing plan designed for one is not applicable, in many of its particulars, to another market. Considerations on prices differ from market to market. While the scheme of classifying milk for pricing is in general quite uniform, the number of classes best suited to trade conditions ranges from two to four or more.

In prices themselves, each market is a problem in itself. Each market has its own price history, and hence, its parity price is a particular determination. Pricing of milk on each market must be the resultant of forces on that market operating with respect to both supply and demand.

Even from the standpoint of the producers, prices can be too high as well as too low, and the interests of the consumer must be considered. All these factors are reflected in the supply-and-demand conditions of each market.

The problem is to find those prices that will, during a given period, best balance the situation. They must not be so high as to increase, unduly, the "excess" or "surplus" from increasing production, or to diminish consumption. They must be established and maintained on a level that is reasonable from the standpoint of farmers engaged in producing a commodity with such exacting and important specifications as those of market milk.

Federal licenses, marketing agreements, and orders are primarily a means for providing a more satisfactory pricing mechanism in milk markets.

Another important problem in the program is how to obtain the fullest cooperation of all concerned in working out plans. Willingness of the responsible groups in a market to work together and with the Government largely influences the success of plans for improving marketing systems.

III. FEDERAL-STATE MARKETING PROGRAMS

Increased interest in State regulation of milk marketing has been shown during the last year. About half of the States now have laws for this purpose. Some were enacted as emergency measures to remain in effect during specified periods: Other were enacted to continue indefinitely. Most State laws provide for the administration of the programs by milk-control boards or under the supervision of the State departments of agriculture.

In general, the purposes of the State laws are to improve the position of milk producers through improvement of marketing conditions and the price structure. This is sought in part by the licensing of milk dealers under terms and conditions aimed at preventing unfair and discriminatory marketing practices, and, in part, by regulating prices to producers. In contrast to the Agricultural Adjustment Act, most State laws provided for the regulation of resale prices of fluid milk and cream.

In nearly all instances, State supervision and control is confined to milk used in the fluid-milk and cream trade, and, except for surplus milk in the fluid-milk markets, ordinarily does not apply to milk produced primarily for manufactured dairy products.

While the State laws differ considerably in nature, most of them contain certain provisions somewhat similar to the provisions of the Agricultural Adjustment Act with respect to such matters as the classification of milk according to use, the establishment of minimum prices to producers, and the adoption of pooling plans.

With increased activity in State regulation, cooperation between the Federal and State Governments has become increasingly important. Where milk markets derive their supplies from several

States, the operation of marketing programs involves problems of regulative authority not only between the Federal and State Governments but also among the governments of adjacent States.

Experience with programs involving interstate commerce in milk indicated that many Federal and State marketing programs might be operated most effectively as joint or coordinated plans with the same general objectives and similar procedures. In recognition of this fact, many State laws have been so formulated or amended as to permit joint Federal-State action. The amended Agricultural Adjustment Act authorizes the Secretary of Agriculture to cooperate with State officials in formulating milk marketing plans.

IV. MARKETING AGREEMENT AND LICENSE FOR EVAPORATED MILK

Unsatisfactory conditions in the evaporated milk industry due to rapidly increasing quantities of milk delivered to condenseries, unusually large storage stocks, and low, unstable prices to farmers during 1932 and the early part of 1933, prompted several conferences among producers and processors looking toward improving the economic status of the industry. These conferences resulted in requests for a marketing agreement, and after a public hearing, an agreement covering a major portion of the industry was put into effect on September 9, 1933. It remained in effect until replaced on May 31, 1935, by a new agreement and license.

The new agreement was signed by a majority of the manufacturers. In order to assure its maximum effectiveness a license applicable to the entire evaporated-milk industry was requested and was issued by the Secretary of Agriculture. It contains provisions similar to those in the new agreement. Both are now in effect.

Whereas the previous agreement provided for maximum and minimum wholesale prices of case goods, the new agreement and license do not. They provide that each manufacturer shall file with a managing agent, appointed under terms of the agreement and license, and with the Secretary, a schedule of his selling prices of evaporated milk, indicating the terms of sale for each size, quantity, and brand sold by him and the sales areas to which they apply. A manufacturer may modify his selling prices by filing a new or amended list. The new agreement and license also provide for minimum prices to producers for milk delivered to evaporated milk plants. Such prices are computed on the basis of butter and cheese prices. Other provisions pertain to the election and functions of a manufacturers' committee and a producers' committee and to a number of trade practices in the industry.

The filing of selling prices and the establishment of uniform discounts and other allowances have exerted a steadying influence on prices received by manufacturers. The establishment of minimum prices to producers on the basis of butter and cheese prices has tended to keep farm prices of milk delivered at condenseries in line with prices of milk for other uses. From an average of 89 cents per hundredweight in the first half of 1933, before the agreement went into effect, the average farm price of milk delivered at condenseries increased to $1.07 per hundredweight in the last half of

1933. The average for 1934 was $1.14 and for the first 10 months of 1935 was $1.31.

V. MARKETING AGREEMENT FOR DRY SKIM MILK

A marketing agreement for the dry skim-milk industry, Nation-wide in its application, has been in effect since September 16, 1933. Undesirable trade practices, declining prices to manufacturers, and low prices to farmers led to the request for the agreement and its adoption.

The agreement provides that the manufacturers file with the Secretary and a managing agent their selling prices of dry skim milk according to grades, brands, quantities, and sales areas. Monthly reports showing volumes of production, purchases, sales, and stocks of dry skim milk are made to the managing agent. The agreement contains a number of provisions designed to prevent undesirable trade practices.

More than 90 percent of the members of the industry have cooperated in accomplishing the purposes of the agreement and have continued to lend support to its successful operation. Since the agreement was adopted, prices of dry skim milk have increased substantially. For the first half of 1933, the average wholesale price of dry skim milk was only 4.13 cents per pound. In 1934, the average was 5.37 cents per pound and for the first 10 months of 1935 it was 5.76 cents per pound. The improved marketing conditions under the operation of the agreement have contributed to this price increase and substantial benefits have accrued to milk producers.

VI. SURPLUS-REMOVAL ACTIVITIES

A program involving the removal of surplus stocks of dairy products from commercial channels and the distribution of these products among families on relief was initiated in August 1933 and was continued during 1935. Prior to 1935, only butter and cheese were purchased. The program was expanded in 1935 to include dry skim milk and evaporated milk as well. Purchase operations originally were undertaken as an emergency measure to relieve a serious situation in the dairy-produce markets.

The Jones-Connally Cattle Act, approved on April 7, 1934, authorized the appropriation of funds for various purposes, including the financing of operations designed "to support and balance the market for the dairy and beef cattle industries . . . and the advancing of funds to the Federal Surplus Relief Corporation for the purchase of dairy and beef products for distribution for relief purposes." This act enabled the Agricultural Adjustment Administration to adopt a continuing program pointed towards the removal of surplus stocks of dairy products on a short-time basis as one of several measures to aid the dairy industry. Efforts have been made to time the purchases so that maximum benefit would accrue to the industry. While the needs for relief distribution have been considered, purchases usually have been made when it appeared that heavy production or large stocks were depressing prices.

PROGRAM HAS INCREASED RETURNS TO FARMERS

Although no attempt has been made to stabilize prices at any particular level, it appears that on the whole the program has affected a reduction in commercial supplies of dairy products and has resulted in increased returns to dairy farmers. However, the Agricultural Adjustment Administration has recognized that surplus-removal activities alone would not constitute a permanent solution to the dairy problem.

Prior to June 1935, purchase operations for the account of the Secretary of Agriculture had been executed in successive periods by the Land O'Lakes Creameries, Inc., the Dairy Marketing Corporation, and the Federal Surplus Relief Corporation. The functions of the Federal Surplus Relief Corporation were taken over in November 1935 by the Federal Surplus Commodities Corporation, an organization chartered under the laws of the State of Delaware as a nonstock, nonprofit corporation. Since June 1935, the Adjustment Administration has conducted all purchasing activities directly through the commodities purchase section. Dairy products have been purchased through contracts awarded to bidders on the basis of sealed bids submitted to the Adjustment Administration. Butter purchases also have been made on the New York and Chicago Mercantile Exchanges.

Reducing the commercial supply of any commodity appears to have the same economic effects on average prices of that commodity over a period of time, regardless of the method of purchasing. Purchases through contracts have been made on either of two price bases: (1) Prices based on differentials relative to market quotations as submitted by the bidders, or (2) flat prices submitted by the bidders.

From May 1, 1934, to April 30, 1935, 16,176,000 pounds of butter, 11,574.000 pounds of cheese, 6,526,000 pounds of dry skim milk, and 37,596,000 pounds of evaporated milk were purchased. From May 1, 1935, to December 31, 1935, 7,072,000 pounds of butter, 192,000 pounds of cheese, 9,316,000 pounds of dry skim milk, and 9,431,000 pounds of evaporated milk were purchased. These include some quantities not yet delivered. Expenditures for dairy products totaled $22,626,432.

ALL PRODUCTS PURCHASED DONATED FOR RELIEF

All dairy products purchased have been donated to the Federal Surplus Relief Corporation, or the Federal Surplus Commodities Corporation, for distribution among families on relief rolls. Distribution of dry skim milk has been of particular value in familiarizing a large number of families with this product. Under present arrangements, dairy products are distributed as rapidly as possible after their purchase.

VII. ELIMINATION OF DISEASED CATTLE

Section 6 of the Jones-Connally Cattle Act authorized the appropriation of 50 million dollars to enable the Secretary (*a*) to advance funds to the Federal Surplus Relief Corporation for purchases of dairy and beef products for relief purposes and (*b*) to eliminate

diseased dairy and beef cattle, including those infected with tuberculosis and Bang's disease, and make payments to owners of the cattle eliminated. This sum was appropriated and Government programs for the elimination of diseased cattle were initiated in the summer of 1934.

On June 10, 1935, the maximum Federal indemnity for grade animals reacting to tuberculosis or Bang's disease was increased from $20 to $25. The maximum indemnity for purebreds remains at $50. The size of the indemnities, up to these limits, is governed by the appraised values of the animals, the salvage values, and State indemnities. The owner of a diseased animal eliminated may not receive a total greater than the appraised value. While only two States now pay indemnities for the elimination of Bang's disease, it is understood that several other States contemplate legislation for this purpose. In order that the disease-elimination program may be continued, Congress in August 1935 reappropriated the unexpended balance of the funds appropriated pursuant to section 6 of the Jones-Connally Cattle Act, and authorized the appropriation of an additional sum of 40 million dollars of which 10 million dollars was appropriated. Such funds are to remain available until June 30, 1936.

BOVINE TUBERCULOSIS

The tuberculosis-elimination program initiated pursuant to section 6 of the Jones-Connally Cattle Act has supplemented the Federal-State tuberculosis work which has been carried on since 1917. In the fiscal year ending June 30, 1934, 15,119,763 cattle were tested under the regular Federal-State program and 232,368 head, or 1.5 percent, showed infection. With the additional funds, the tuberculosis work was greatly expanded, particularly in those States having a high percentage of infection, and during the last half of 1934, 804,709 herds, containing 9,261,153 cattle, were tested for tuberculosis and 209,573, or 2.3 percent, reacted and were removed. These numbers include the animals tested and eliminated under the regular Federal-State work during this period. In 1935, a total of 2,797,824 herds and 29,411,284 cattle were tested, including those retested, and 255,851 head, or 0.9 percent, reacted. (See table 75.) A high proportion of the cattle tested have been milk cows.

TABLE 75.—*Summary of all Federal-State bovine tuberculosis testing, Jan. 1, 1935, to Jan. 1, 1936*

State	Herds tested	Cattle tested	Cattle showing infection	
			Number	Percent of cattle tested
Maine	9,528	75,725	205	0.3
New Hampshire	14,270	127,603	388	.3
Vermont	23,775	386,154	2,460	.6
Massachusetts	32,642	277,468	2,434	.9
Rhode Island	4,036	35,647	2,207	6.2
Connecticut	19,801	215,022	7,190	3.3
New York	147,873	2,127,078	59,647	2.8
New Jersey	19,830	236,224	2,146	.9
Pennsylvania	76,445	655,894	15,034	2.3
North Atlantic	348,200	4,136,815	91,711	2.2

TABLE 75.—*Summary of all Federal-State bovine tuberculosis testing*—Continued

State	Herds tested	Cattle tested	Cattle showing infection	
			Number	Percent of cattle tested
Ohio	74, 700	552, 375	1, 378	.2
Indiana	23, 280	267, 859	985	.4
Illinois	103, 827	1, 253, 078	6, 780	.5
Michigan	55, 262	503, 602	800	.2
Wisconsin	36, 868	701, 086	1, 662	.2
East North Central	293, 937	3, 278, 000	11, 605	.4
Minnesota	60, 277	948, 156	2, 663	.3
Iowa	98, 834	1, 833, 991	11, 553	.6
Missouri	105, 568	881, 004	725	.1
North Dakota	4, 018	75, 491	461	.6
South Dakota	49, 291	965, 211	11, 471	1.2
Nebraska	75, 193	1, 914, 401	10, 025	.5
Kansas	36, 222	509, 308	3, 324	.7
West North Central	429, 403	7, 127, 562	40, 222	.6
Delaware	5, 127	48, 349	482	1.0
Maryland	22, 263	219, 287	1, 341	.6
District of Columbia	2	232	0	.0
Virginia	3, 621	73, 556	445	.6
West Virginia	4, 681	37, 384	61	.2
North Carolina	1, 533	26, 568	46	.2
South Carolina	15, 343	64, 768	2	.003
Georgia	73, 032	640, 366	123	.02
Florida	15, 990	223, 061	392	.2
South Atlantic	141, 592	1, 333, 571	2, 892	.2
Kentucky	3, 719	70, 386	105	.1
Tennessee	54, 185	225, 513	253	.1
Alabama	169, 470	855, 772	1, 105	.1
Mississippi	204, 614	1, 141, 870	1, 135	.1
Arkansas	161, 712	858, 016	386	.04
Louisiana	149, 216	1, 528, 506	1, 960	.1
Oklahoma	185, 724	1, 944, 803	3, 196	.2
Texas	425, 463	3, 100, 892	874	.03
South Central	1, 354, 103	9, 725, 758	9, 014	.1
Montana	23, 942	481, 860	451	.1
Idaho	3, 228	33, 173	105	.3
Wyoming	16, 209	430, 419	1, 130	.3
Colorado	53, 635	995, 149	5, 658	.6
New Mexico	16, 122	145, 702	314	.2
Arizona	11, 656	185, 199	438	.2
Utah	8, 788	44, 676	164	.4
Nevada	1, 659	34, 623	72	.2
Washington	27, 634	297, 624	1, 670	.6
Oregon	12, 116	90, 087	637	.7
California	52, 843	961, 001	87, 959	9.2
Western	227, 832	3, 699, 513	98, 598	2.7
Puerto Rico	2, 298	92, 810	1, 654	1.8
Hawaii	459	17, 255	155	.9
United States	2, 797, 824	29, 411, 284	255, 851	.9

Compiled from records of the Bureau of Animal Industry, United States Department of Agriculture.

The progress which has been made during the last year and a half in eliminating bovine tuberculosis is indicated further by the fact that on December 31, 1935, there were 37 modified accredited States, as compared with 13 such States on June 30, 1934, before the tuberculosis work was expanded through the appropriation of additional funds. The additional 19 States becoming modified accredited during the period July 1, 1934, to December 1, 1935, were: Alabama, Arkansas, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Massachusetts, Minnesota, Missouri, Montana,

New Mexico, Oregon, South Carolina, Tennessee, Virginia, and Wyoming.

BANG'S DISEASE

Efforts to control Bang's disease (contagious abortion) had not been put forth on a large scale before the present program went into effect in July 1934 although this disease had been prevalent throughout the country and had been causing heavy losses to farmers.

During the last half of 1934, 51,115 herds containing 943,570 cattle were tested. Of these, 134,325 head, or 14.2 percent, showed infection. The work was expanded considerably in 1935, and during that year tests were applied in 48 States to 367,698 herds and 5,383,481 cattle. These figures include retests. Of this number of cattle, 483,709, or 9 percent, reacted. (See table 76.) As in the case of tuberculosis, a high proportion of the cattle tested for Bang's disease have been milk cows.

TABLE 76.—*Summary of Bang's disease testing, Jan. 1, 1935, to Jan. 1, 1936*

State	Herds tested	Cattle tested	Cattle showing infection: Number	Cattle showing infection: Percent of cattle tested
Maine	1,738	26,318	2,990	11.4
New Hampshire	662	12,427	1,130	9.1
Vermont	531	16,328	1,486	9.1
Massachusetts	112	3,384	348	10.3
Rhode Island	15	558	14	2.5
Connecticut	290	8,773	794	9.1
New York	3,004	77,567	5,739	7.4
New Jersey	375	20,469	1,127	5.5
Pennsylvania	11,577	177,011	11,761	6.6
North Atlantic	18,304	342,835	25,389	7.4
Ohio	20,138	217,149	16,993	7.8
Indiana	13,483	172,119	18,399	10.7
Illinois	7,588	128,624	18,826	14.6
Michigan	10,665	135,525	11,238	8.3
Wisconsin	51,711	892,614	66,899	7.5
East North Central	103,585	1,546,031	132,355	8.6
Minnesota	37,068	569,568	52,591	9.2
Iowa	7,319	134,158	22,383	16.7
Missouri	23,114	299,739	27,479	9.2
North Dakota	4,425	67,816	4,419	6.5
South Dakota	94	3,642	738	20.3
Nebraska	2,696	48,149	5,187	10.8
Kansas	2,601	69,574	12,166	17.5
West North Central	77,317	1,192,646	124,963	10.5
Delaware	685	12,612	988	7.8
Maryland	2,389	38,761	3,794	9.8
Virginia	33,124	233,019	10,245	4.4
West Virginia	11,912	91,716	4,051	4.4
North Carolina	3,666	81,204	5,240	6.5
South Carolina	1,665	41,773	2,642	6.3
Georgia	998	39,290	3,730	9.5
Florida	2,899	104,124	14,611	14.0
South Atlantic	57,338	642,499	45,301	7.1
Kentucky	15,478	161,007	11,739	7.3
Tennessee	4,729	95,775	11,690	12.2
Alabama	1,261	101,837	10,255	10.1
Mississippi	1,600	44,297	4,838	10.9
Arkansas	9,004	81,791	6,618	8.1
Louisiana	1,298	39,416	4,284	10.9
Oklahoma	11,184	270,260	32,275	11.9
Texas	3,621	145,633	21,388	14.7
South Central	48,175	940,016	103,087	11.0

TABLE 76.—*Summary of Bang's disease testing*—Continued

State	Herds tested	Cattle tested	Cattle showing infection	
			Number	Percent of cattle tested
Montana	2, 982	66, 626	6, 407	9. 6
Idaho	9, 252	106, 221	7, 423	7. 0
Wyoming	188	7, 600	538	7. 1
Colorado	144	7, 801	641	8. 2
New Mexico	1, 552	45, 761	1, 744	3. 8
Arizona	621	13, 264	958	7. 2
Utah	3, 759	35, 434	2, 727	7. 7
Nevada	737	15, 963	1, 166	7. 3
Washington	13, 021	119, 408	9, 976	8. 4
Oregon	30, 671	298, 280	20, 710	6. 9
California	52	3, 096	324	10. 5
Western	62, 979	719, 454	52, 614	7. 3
United States	367, 698	5, 383, 481	483, 709	9. 0

Compiled from records of the Bureau of Animal Industry, U. S. Department of Agriculture.

Under present arrangements, herds may be retested until they have passed at least two successive clean tests. The records of test work in Wisconsin and Minnesota, where a large number of cattle have been tested, illustrate the progress which is being made in eliminating Bang's disease. The initial test applied to 61,249 herds in these two States revealed that 26,892 herds (44 percent) contained infected animals. The number of cattle tested was 1,020,565 of which 138,674 (13.6 percent) showed infection and were eliminated. Upon application of a second test to 20,078 herds, all of which on the initial test had contained diseased animals, only 6,658 herds (33 percent) still showed infection. Of the 351,804 cattle given the second test, 16,463 (4.7 percent) reacted and were removed. A third test applied to 6,911 herds, which had shown infection on the first and second tests, revealed only 1,896 herds (27 percent) still containing infected animals, with 4,681 (3.4 percent) of the cattle given the third test showing infection.

Since January 1, 1936, all cattle entering the United States from any foreign country, except Mexico (where a treaty affecting the movement of beef herds across the border is already in effect), have been required to pass a negative test for Bang's disease.

Bang's disease has been ravaging nearly half of the dairy herds of the country. The control of this disease enables farmers to produce milk more efficiently and profitably at lower prices. Such control increases breeding efficiency and permits more rapid herd improvement; and available evidence indicates that Bang's-free cows are substantially higher producers than diseased animals.

MASTITIS

On January 1, 1935, a Government disease-elimination program was applied to cows infected with mastitis. Under the program, the owner enters into a voluntary agreement with the Secretary to market for slaughter cows showing a marked physical evidence of this disease. For such cows eliminated, indemnities ranging up to $20 for grade cows and up to $50 for purebreds are paid. Before an examination for mastitis is made, the owner is required to agree

to have his herd tested for Bang's disease. In 1935, 7,332 herds, containing 173,016 cattle, were examined and 21,391 milk cows with mastitis were eliminated.

VIII. CONTINUATION OF DAIRY PROGRAMS

While conditions in the dairy industry now are substantially better than they were 2½ years ago, the present productive capacity of the industry is still large in comparison to the demand for dairy products. Annual milk production per cow declined steadily from 1929 to 1934. This period witnessed a series of poor pasture seasons, an accumulation of low-producing cows as a result of low beef prices and light culling of herds, and a sharp decline in the demand for and prices of dairy products. After a year and a half of relatively heavy culling, the average productive capacity of the cows on farms now is higher than for several years.

Under favorable feed-growing conditions, total milk production from the present number of cows could be increased to considerably above total production during each of the last 2 years, through increased production per cow. An increase in total milk production would tend to offset the effects of improvements in demand conditions on prices.

The dairy industry now is faced with problems not only of maintaining the gains which have been made but also of bringing about further improvements in the condition of producers. Continued modification and improvement of current programs in the light of experience, as well as the consideration of other types of dairy programs, are receiving the attention of the industry and of the Agricultural Adjustment Administration.

CHAPTER 21

GENERAL CROPS

SALIENT FACTS ABOUT GENERAL CROPS

1. Number of general crop industries to which agreements and licenses have applied	25
2. Number of growers producing general crops to which agreements and licenses applied in 1935	80,150
3. Estimated farm value of 19 products to which 1935 programs applied:	
1933	$96,905,000
1935	$134,815,000

In handling the adjustment program of marketing agreements in 1935, the General Crops Section of the Marketing and Marketing Agreement Division has been chiefly concerned with maintaining or increasing prices to producers through adjustments in market supplies made after the commodities concerned are ready for market.

While various means have been employed toward the objectives of the marketing-agreement programs, the fundamental principle of all is the adequate control of the quantity of a commodity shipped to market, in order to maintain or improve the returns to growers. This principle is not new to many commercial growers of fruits and vegetables.

For some years before the passage of the Agricultural Adjustment Act, various groups had taken steps to adjust shipments to market requirements on an industry-wide basis. In these efforts growers and handlers cooperated in voluntary efforts to avoid low returns. Many of these earlier attempts at industry control were made without immunity from the antitrust laws and without legal means whereby handlers who refused to cooperate could be required to assume their proportionate burden of such voluntary efforts to control the volume marketed.

In recognition of the handicaps facing these cooperative industry-control measures, the Agricultural Adjustment Act included authorization for marketing agreements and licenses and was designed to facilitate these measures as a method of improvement in situations where they could be utilized effectively. Consequently, many of the present marketing-agreement programs are regarded as logical outgrowths of experiences in past cooperative marketing efforts.

During 1935, marketing-agreement programs undertaken during the preceding 2 years under the original act have been administered, and have been revised under the amended act, different groups have

been assisted in developing new agreement programs, and plans to encourage domestic consumption and exportation of certain commodities under the applicable provisions of the act have been formulated.

I. PROGRAMS IN 1935

At the beginning of 1935 there were 23 marketing agreements and licenses in effect for commodities assigned to the General Crops Section. A wide variety of commodities were included in these programs, but most of the agreements and licenses related to fruits and vegetables marketed fresh, canned, or dried, to nuts, and to naval stores. Many of them had been in effect in 1934, and their operation had helped to form a basis for certain revisions and changes during 1935.

Since the enactment of the Agricultural Adjustment Act, marketing-agreement and license programs have been made effective for 25 general-crop industries. Of the 23 marketing agreements and licenses in effect at the beginning of 1935, 14 were in operation during all or a portion of the 1935 marketing season. These involved 19 different commodities produced in 13 States by approximately 80,150 growers. The estimated farm value of these 19 crops aggregated $134,815,000 in 1935 as compared with $120,000,000 in 1934 and $96,905,000 in 1933.

The first new program completed in 1935 was that for Colorado peas and cauliflower, which became effective January 15. Other new programs made effective under the original act related to paper-shell pecans and California asparagus for canning and for fresh shipment. Groups of handlers and growers submitted proposed agreements applying to such commodities as California almonds; Pacific coast hops; sour cherries grown in the Pacific Northwest, Michigan, Wisconsin, New York, and Utah; New York currants; Colorado melons; North Carolina cantaloups; Pacific coast Bartlett pears; and Texas and Mississippi tomatoes. These proposals were examined and public hearings were held. In some cases the evidence obtained at the hearings indicated the inadvisability of completing the agreements; whereas in other cases, such as North Carolina cantaloups and Texas and Mississippi tomatoes, the agreements were tentatively approved preparatory to signature by the groups concerned, but were not put into operation, either because of too few signatures or because the production then available for market was smaller than had previously been anticipated.

Continued experience made it evident that revisions in a number of the agreement programs in operation early in 1935 were necessary. Among the changes were those in the programs for California deciduous fruit, Texas citrus fruit, California-Arizona citrus fruit, Florida celery, Pacific coast walnuts, and California raisins and prunes.

COOPERATION ESSENTIAL FOR SUCCESSFUL OPERATION

In general, those programs which operated reasonably well were the ones undertaken by industries in which producers' cooperative associations had been sufficiently developed to become important fac-

tors, or where there was a suitable background of organization and uniformity of industry viewpoint among groups of producers or handlers. This latter condition was especially typical of the canned-fruit and dried-fruit industries on the Pacific coast.

On the other hand, programs were less successful among groups in which appreciable cooperative endeavor had not previously been undertaken. In several instances a lack of common understanding of the marketing problems by the group as a whole resulted in individuals giving chief consideration to their own personal interests without any consideration of others concerned. This usually brought about the eventual collapse of the proposed industry program. Naturally, agreement operations are much more difficult when there are deeply rooted disagreements arising out of long-standing controversies among producers and handler groups.

Problems of compliance with certain programs required considerable attention. Administrative hearings, in which violators were cited to show cause why their licenses should not be revoked, were held in a number of cases. These were chiefly in connection with the watermelon, Texas citrus fruit, California-Arizona citrus fruit, Northwest deciduous fruit, and California prune programs. In only a few cases was it necessary to appeal to the courts to secure further enforcement, and up to the spring of 1935 these decisions had generally supported the licenses.

By that time, however, there were indications that adequate compliance was becoming increasingly difficult in some cases, despite the fact that there had been a generally favorable attitude on the part of the courts. The first unfavorable court decision with regard to a license developed under the general crops section, was rendered in May 1935, when after an administrative hearing a Federal court at Yakima, Wash., refused to sustain the Secretary's revocation of a shipper's license under the Northwest deciduous tree fruit agreement program. An appeal to the appropriate Federal circuit court was undertaken, but before it could be heard, the United States Supreme Court had rendered its decision respecting the National Industrial Recovery Act in the Schechter case.

II. AMENDMENTS TO MARKETING AGREEMENT PROVISIONS OF THE AGRICULTURAL ADJUSTMENT ACT IN 1935

The Schechter decision did not directly relate to the Agricultural Adjustment Act, but its legal implications had serious adverse effects on the marketing-agreement programs then in operation. Because of the questions which that decision raised concerning such programs, the licenses could not be effectively enforced thereafter.

After the Schechter decision, the amendments to the Agricultural Adjustment Act which had been introduced in Congress were temporarily withdrawn for further revision and strengthening in the light of that decision. As finally enacted August 24, 1935, these amendments authorized the issuance of orders instead of licenses, in connection with agreement programs, and embodied other changes in the administration of these programs.

ORDERS SUBSTITUTED FOR LICENSES

For the most part, the economic adjustments authorized under the order provisions were those which had been found most successful in the operation of agreement and license programs during the previous 2 years. But the amendments also provided for the enforcement of orders through action instituted in the courts, as contrasted with enforcement of licenses through revocation by the Secretary under the original act.

With respect to the commodities under the General Crops Section, the amended act continued the authorization for development of marketing agreements for any agricultural commodity or product thereof as provided in the original act, but it limited the authority for issuance of orders to the following commodities and their products: Fruits (except apples), vegetables, pecans, walnuts, soybeans, and naval stores. The amended act also specifically provided that orders were not to be issued for fruits or vegetables for canning, except olives and asparagus.

PRODUCER APPROVAL OF PROGRAMS REQUIRED

According to the act as amended, orders may be issued to supplement marketing agreements which have been signed by handlers of not less than 50 percent of the volume of the commodity produced or marketed, or to make effective a program included in a marketing agreement on which public hearing has been held but which does not receive the signature of the same proportion of the handlers concerned. In the latter situation the approval of the President is required, as well as the minimum support of producers as specified in the act. Before any order can be made effective, moreover, the Secretary must determine that its issuance is favored by at least two-thirds of the producers concerned, or producers who produced for market at least two-thirds of the volume of the commodity, for a representative period of time.

PROVISION FOR VARIOUS ADJUSTMENT MEASURES

The methods of economic adjustment which may be included in orders can be grouped under two general classifications. One classification includes those methods relating to limitation of the total quantity or of any grade, size, or quality, of the commodities specified in the act which may be marketed or transported in the current of interstate or foreign commerce.

In the application of these methods, provision is made for allotments to individual handlers and for their distribution to individual producers. Allotments to the handlers may be based either upon the current production or sales of the commodity concerned, or upon production or sales for a previous period determined by the Secretary to be a representative period.

The other type of adjustments which might be included in this classification relate to the control and disposition of surpluses and to the establishment of reserve pools as a means of equalizing the burden of surpluses among the producers and handlers concerned.

The second classification of provisions authorized to be included in orders relates to the prohibition of unfair methods of com-

petition and unfair trade practices, the filing of prices with the administrative agencies concerned, and the detailed procedure for administration.

SURPLUS DIVERSION AND EXPORT PROVISIONS

Besides provision for marketing-agreement and order programs, the amended act, under section 32, of Public, No. 320, 74th Congress, authorizes measures intended to increase the domestic consumption of agricultural commodities by diverting them from the normal channels of trade, and to encourage the exportation of agricultural commodities and their products. These measures serve as methods of economic adjustment.

Specific appropriation of funds was made for these purposes for each fiscal year, beginning with the fiscal year ending June 30, 1936, in the amount of 30 percent of the gross receipts from duties collected under the custom laws of the United States during the period January 1 to December 31 immediately preceding the beginning of each fiscal year. The commodities assigned to the General Crops Section are eligible for such programs when economic adjustments of this nature offer possibilities of benefiting the producers concerned.

OPERATING PROBLEMS DURING AMENDING OF ACT

The amendments to the act were under consideration for a period of several months before their enactment on August 24, 1935. Preparations had been completed to begin the administration of the amended act as soon as possible after its approval, but this could not be undertaken until about September 1. Consequently, the operation of agreement programs for the crops being harvested during the summer and early fall months became exceedingly difficult. In most instances, however, the growers and handlers concerned actively supported the programs which were in operation through this transitional period, despite the difficulties of enforcement. This indicated the real place which the agreements had assumed in the marketing of these commodities.

III. PROGRAMS REVISED UNDER AMENDED ACT

With the enactment of the amendments, prompt revision of existing programs became necessary, although the amendments did not invalidate licenses previously issued under the original act. Since, under the amended act, orders could not be issued for fruits and vegetables for canning other than olives and asparagus, the licenses for California cling peaches were terminated and work on a new agreement then under consideration for this commodity, and on agreements for other fruits for canning, was dropped. Each program then in effect for a commodity designated as eligible for orders under the act was subjected to careful analysis to determine whether reasonably satisfactory results, from a long-time viewpoint, could be expected in consideration of the accomplishments up to that time and the particular operating problems which had developed. However, each group concerned in a program was requested to indicate whether it desired the program to be continued with the revisions required to make it conform with the amended act.

This policy resulted in a number of agreements and licenses being terminated before the end of 1935. These included programs covering California dates, Northwest deciduous fruit, Texas citrus fruit, California olives, Florida strawberries, Tokay grapes, and California raisins.

AGREEMENTS AND ORDERS REDRAFTED

Immediately after approval of the act on August 24, the redrafting of agreements and orders for the programs that were to be continued was begun. The first work was concentrated on seven agreements which had to be in operation promptly if the programs were to be effective during the marketing period.

These included programs for Pacific coast walnuts, California-Arizona citrus fruit, raisins, pecans, olives, celery, and naval stores. Following the hearings for walnuts, citrus fruit, and celery, agreements and orders were submitted to the industries for approval. The walnut order was the first approved, and became effective October 15, 1935, in time for the 1935 crop. The program for California-Arizona citrus was approved by the growers in December for operation in January 1936. The harvesting of olives and raisins had progressed too far to permit agreements to become effective during the 1935 season.

Revision of the pecan and celery agreements was completed and these programs were submitted to the handlers and growers for approval late in 1935. Revision of the agreements for western Washington vegetables and for Colorado vegetables was also undertaken, and hearings were held in December with completion of these programs to be accomplished early in 1936.

SURPLUS DIVERSION AND EXPORT PLANS

Immediate consideration was given to proposals for the diversion of surpluses and the encouragement of exports of certain commodities, in accordance with the provisions of section 32 of Public No. 320, Seventy-fourth Congress, amending the Agricultural Adjustment Act. A program for Pacific coast dried prunes was designed to divert substandard grades into export and byproduct channels. In connection with the walnut marketing agreement, plans were made to encourage the export of unshelled walnuts, and to divert surplus unshelled walnuts to outlets utilizing them in the shelled form. The surplus problem in walnuts was particularly pressing because the 1935 crop was the largest on record, and the production was approximately 50 percent in excess of probable utilization of walnuts in the shell in domestic markets.

Means of encouraging the domestic consumption of Puerto Rican coffee were considered. A plan to supplement the effects of the California-Arizona citrus marketing agreement by encouraging exports of oranges was being developed at the end of 1935.

IV. ADJUSTMENT RATHER THAN RESTRICTION IS BASIS OF AGREEMENT PROGRAMS

While the provisions of marketing agreement programs usually relate to the limitation of supply or the removal of surplus from nor-

mal distribution channels, it does not follow that the operation of these programs is to restrict, drastically, the supplies offered on the market. In fact, the basic problem has proven to be one of economic adjustment rather than restriction of supplies. Through the adjustment mechanisms provided in marketing-agreement programs, supplies may be effectively regulated on an industry-wide basis, thus removing or reducing certain of the risks which otherwise must be incurred by distributors if demoralizing surpluses are allowed to enter trade channels.

Programs such as those for southeastern watermelons, California deciduous fruits, and Washington and Colorado vegetables were designed to eliminate low grades at times when prices were low in terminal markets, or to curtail shipments of those sizes which were returning prices less than sufficient to cover marketing costs.

Other programs, such as those for Florida celery and California-Arizona citrus fruit, were designed to adjust the movement of products to market at any one time without necessarily reducing the total quantity to be marketed during the season. For example, the 1934–35 California-Arizona crop of 46,256,000 boxes of oranges was the largest in the history of the industry. Over 39,300,000 boxes were sold in fresh-fruit markets during the period November 1, 1934, to October 31, 1935. This quantity was 26 percent larger than the average quantity moved into fresh-fruit trade channels during the four preceding seasons. While the average price to growers of $1.30 per box for the 1934–35 season was 36 cents per box lower than the average for the previous year, the farm value of the total crop exceeded $59,900,000, an increase of $14,300,000 above that for the previous season, and $25,700,000 above the total for the 1932–33 season.

In dealing with processed commodities an effort was made to fix the quantity available for market at a volume which would maintain or improve returns to growers, placing emphasis on adjustment rather than on restriction of the quantity marketed. An example is the marketing-agreement program for asparagus for canning, in which the authorized pack was increased from 1,900,000 cases in 1934 to 2,250,000 cases in 1935, the largest pack since 1930. Under the walnut-agreement program the salable quantity for merchantable unshelled walnuts shipped was increased from 45,000,000 pounds in 1933–34 to 54,500,000 pounds in 1934–35.

V. TRENDS OF FRUIT AND VEGETABLE PRODUCTION

The trend of acreage and production of truck crops has been upward from 1920 to the present, whereas the trend of prices to growers throughout this period has been generally downward. (See table 77 and figures 7 and 8.) While the index of production of 17 truck crops for fresh market shipment declined from 119 percent of the 1924–29 average in 1932 to approximately 107 percent in 1933, the upward trend was resumed again in 1934 and production in both 1934 and 1935 was about 16 percent greater than the average for the period 1924–29.

TABLE 77.—*Indexes of acreage, return per acre, total production, farm price and farm value of 17 vegetables for fresh market shipment*[1] *and indexes of production and prices of 13 fruits*[2], *1919–35, inclusive*

[1924–29=100]

Year	17 vegetables for fresh shipment					13 fruits		Citrus production	Citrus farm prices
	Acreage	Return per acre	Total production	Farm prices	Total farm value	Total production	Farm prices		
	1	2	3	4	5	1	2	3	4
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1919	53.2	129.7	56.8	122.2	69.4	75.9	142.4	60.4	95.0
1920	63.1	119.4	73.5	106.7	75.8	92.3	127.1	80.9	79.3
1921	58.8	121.8	61.9	115.4	72.0	60.0	136.7	62.1	101.3
1922	78.2	114.5	80.2	113.8	90.1	98.3	98.7	80.9	79.2
1923	71.2	139.8	76.8	127.7	100.1	100.5	88.2	99.6	60.1
1924	85.6	106.5	88.7	103.1	91.8	91.2	105.8	81.6	105.2
1925	88.8	111.1	94.2	104.1	99.2	92.0	104.3	94.4	94.5
1926	96.5	98.2	94.8	100.3	95.4	118.8	86.3	105.9	91.6
1927	104.7	92.9	106.1	92.6	97.9	88.4	110.5	88.9	125.5
1928	108.6	96.9	101.8	103.5	105.8	120.5	81.2	139.2	68.9
1929	115.9	94.2	113.7	97.0	110.0	89.0	111.9	89.9	114.4
1930	128.4	77.7	117.8	86.9	100.4	114.4	73.5	148.4	56.0
1931	132.3	64.1	116.4	73.7	85.4	121.0	56.3	133.0	46.1
1932	134.9	51.8	119.2	61.2	70.3	104.8	45.8	132.8	39.7
1933	122.7	54.5	106.8	65.2	67.3	102.0	59.1	125.2	54.2
1934	130.1	58.2	117.2	67.2	76.2	109.5	65.0	173.9	53.4
1935	132.5	63.1	116.4	72.8	84.1	116.0	61.1	148.3	62.5

[1] Includes: Asparagus, snap beans, beets, cabbage, carrots, cauliflower, celery, cucumbers, eggplant, lettuce, onions, green peas, peppers, spinach, tomatoes, cantaloupes, and watermelons.
[2] Includes: Apples, peaches, pears, grapes, oranges, grapefruit, lemons, cranberries, strawberries, apricots, California plums, California dried prunes, California olives.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, Division of Statistical and Historical Research, courtesy of Mr. G. Burmeister.

Vegetable growers have sometimes held that the result of adjustment programs for the basic agricultural commodities has been detrimental to the commercial growers by increasing the acreage planted to truck crops. Studies of the changes in the acreage of truck crops grown for fresh market shipment indicate that there have been only relatively minor changes in the total acreage of these crops in the areas most directly affected by the adjustment programs for the basic crops. Moreover, as shown previously, the increases in truck crop acreages since 1933 are clearly a continuation of the upward trend which has continued since 1920 in the commercial truck crop areas, with only occasional checks in periods when consumer purchasing power declined. It should be recognized also that increased plantings of truck crops are frequently made in the commercial areas without recognition of the economic consequences which ordinarily follow greatly expanded production.

While the index of prices to vegetable growers has increased somewhat from the low levels in 1932, as appears in figure 8, it is slightly lower than the average for 1931, and the prices received for many of these truck crops in 1935 have not been satisfactory to the growers. With production maintained in 1934 and 1935 at approximately 16 percent above the level for 1924–29, and the money income of city consumers 29 and 25 percent, respectively, below the 1924–29 level, low prices for truck crops were to be expected. For example, in 1935 the production index was 116 compared with the 1924–29 period but prices to growers were only 73 percent of average for the same

period of time. Because of this price and production situation growers of several truck crops have been interested in developing marketing agreement programs during 1935. On the other hand, growers of truck crops as a group cannot expect material improvement in

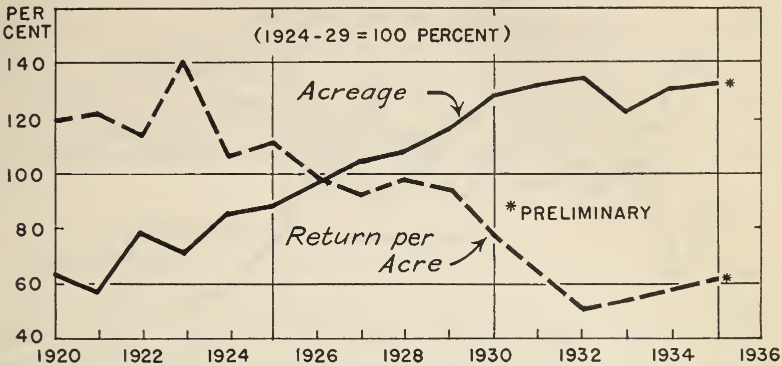

FIGURE 7.—Indexes of acreage and return per acre for 17 truck crops for fresh-market shipment, 1920–35.

the price of their crops as a whole if they continue to increase production, unless there are material gains in the buying power of consumers.

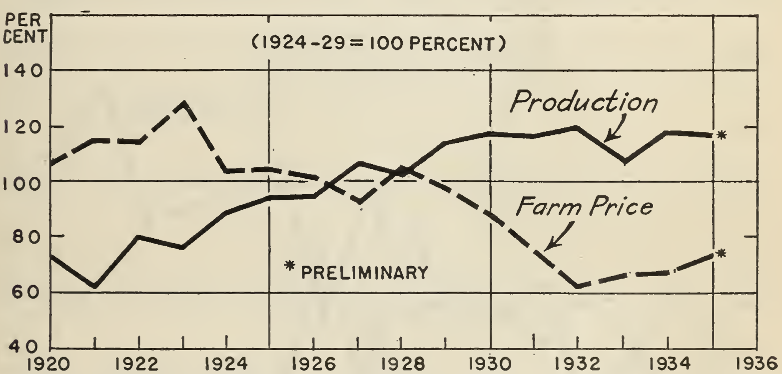

FIGURE 8.—Indexes of production and farm prices for 17 truck crops for fresh-market shipment, 1920–35.

FRUIT PRODUCTION ALSO MOVES UPWARD

Fruit production as a whole has also shown a steady upward trend. (See fig. 10.) Because of weather conditions and the bearing habits of certain fruits, year-to-year fluctuations in production generally have been much greater for fruit than for truck crops. Prices also have varied widely. As in the case of commercial truck crops, fruit production in recent years has been maintained for the most part at levels equal to or above that for the years previous to the depression.

Prices received by fruit growers declined only slightly before 1930. From 1930 to 1932, however, because of lowered consumer incomes and maintained production, they dropped to levels less than half of those prevailing from 1924 to 1929. Prices since 1932 have in-

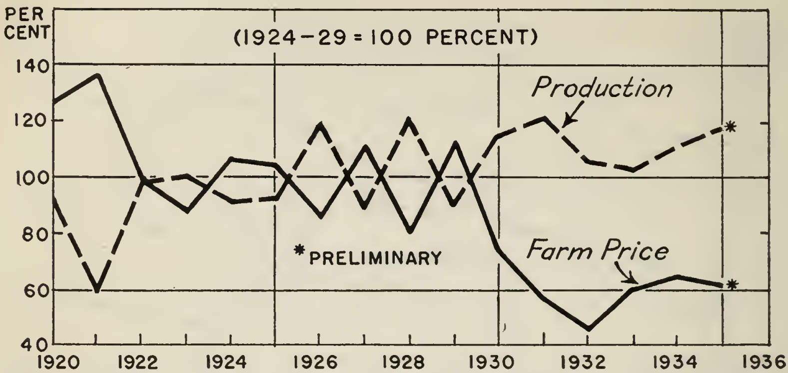

FIGURE 9.—Indexes of annual production and farm prices of 13 major fruits, 1920–35 (seasons beginning in the years indicated).

creased slightly, so that in 1933, 1934, and 1935 they were 59, 65, and 61 percent, respectively, of the 1924–29 level.

Practically all of the recent increase in the total production of fruit, shown in table 9, is accounted for by the rapid gain in the production of citrus fruit in recent years, as is indicated in figure 10.

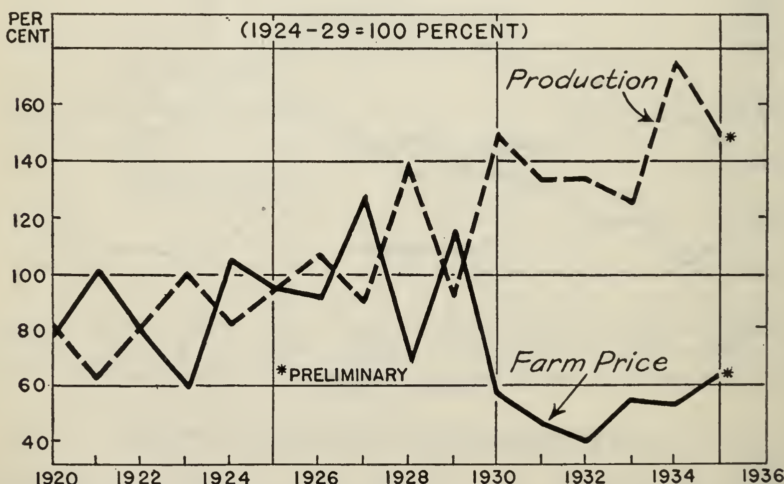

FIGURE 10.—Indexes of citrus production and farm prices, 1920–35 (seasons beginning in the years indicated).

Much of the increased production of citrus fruit, however, occurred at a time when consumer income was greatly reduced, prices to growers consequently declined to approximately 40 percent of the 1924–29 average. Marketing of the large crops of citrus fruit has therefore been a difficult problem for growers. Although their

returns have materially improved since 1932, citrus growers face the prospect of further increases in production for at least the next 5 years.

The citrus growers in California and Arizona have found their marketing-agreement program effective in preventing unduly depressed prices and have continued its operation since 1933. Under this program it was possible during the 1934–35 season, November to October, to move the largest crop on record for that industry, and at the same time to obtain a total return larger than that for any year since 1930. Other groups of fruit growers such as those producing California deciduous fruits and Colorado peaches found agreement programs beneficial in improving their returns in 1935.

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APPENDIXES

APPENDIX A.—TAX COLLECTIONS AND REFUNDS

EXHIBIT 1.—*Revenue collected from processing and related taxes by commodities and by calendar years*

	Total July 1, 1933, to Dec. 31, 1933	Total Jan. 1, 1934, to Dec. 31, 1934	Total Jan. 1, 1935, to Dec. 31, 1935	Grand total July 1, 1933, to Dec. 31, 1935
Cotton:				
Processing taxes	$26, 468, 586. 73	$106, 710, 022. 93	$49, 618, 594. 61	$182, 797, 204. 27
Import compensating	461, 960. 31	1, 276, 411. 00	2, 300, 454. 23	4, 038, 825. 54
Floor taxes	52, 346, 073. 42	6, 215, 119. 93	464, 587. 23	59, 025, 780. 58
Total	79, 276, 620. 46	114, 201, 553. 86	52, 383, 636. 07	245, 861, 810. 39
Jute and paper:				
Processing taxes		7, 070, 474. 62	1, 614, 039. 90	8, 684, 514. 52
Import compensating	17, 167. 68	1, 014, 205. 48	28, 414. 82	1, 059, 787. 98
Floor taxes	16, 287. 80	3, 216, 847. 66	99, 406. 49	3, 332, 541. 95
Total	33, 455. 48	11, 301, 527. 76	1, 741, 861. 21	13, 076, 844. 45
Wheat:				
Processing taxes	35, 627, 318. 00	131, 941, 318. 20	69, 042, 949. 96	236, 611, 586. 16
Import compensating	11, 533. 53	22, 287. 25	79, 435. 57	113, 256. 35
Floor taxes	13, 087, 637. 88	638, 554. 77	177, 854. 27	13, 904, 046. 92
Total	48, 726, 489. 41	132, 602, 160. 22	69, 300, 239. 80	250, 628, 889. 43
Tobacco:				
Processing taxes	2, 943, 642. 71	28, 969, 965. 20	28, 870, 457. 14	60, 784, 065. 05
Import compensating	59, 962. 79	223, 679. 77	160, 902. 13	444, 544. 69
Floor taxes	1, 943, 268. 29	150, 903. 33	305, 373. 66	2, 399, 545. 28
Total	4, 946, 873. 79	29, 344, 548. 30	29, 336, 732. 93	63, 628, 155. 02
Corn:				
Processing taxes	10, 593. 46	7, 044, 014. 42	3, 973, 647. 53	11, 028, 255. 41
Import compensating	1, 778. 32	39, 707. 46	54, 555. 06	96, 040. 84
Floor taxes	873, 929. 37	212, 090. 60	21, 990. 52	1, 108, 010. 49
Total	886, 301. 15	7, 295, 812. 48	4, 050, 193. 11	12, 232, 306. 74
Hogs:				
Processing taxes	442, 503. 16	168, 787, 524. 53	94, 000, 839. 78	263, 230, 867. 47
Import compensating	3, 140. 73	74, 765. 83	450, 669. 89	528, 576. 45
Floor taxes	2, 703, 904. 32	3, 604, 174. 78	13, 561. 87	6, 321, 640. 97
Total	3, 149, 548. 21	172, 466, 465. 14	94, 465, 071. 54	270, 081, 084. 89
Sugar:				
Processing taxes		22, 417, 206. 80	59, 936, 196. 44	82, 353, 403. 24
Import compensating		1, 986, 317. 53	3, 955, 022. 78	5, 941, 340. 31
Floor taxes		9, 483, 932. 21	2, 548, 470. 91	12, 032, 403. 12
Total		33, 887, 456. 54	66, 439, 690. 13	100, 327, 146. 67
Peanuts:				
Processing taxes		430, 018. 79	3, 268, 224. 87	3, 698, 243. 66
Import compensating		898. 95	3, 777. 39	4, 676. 34
Total		430, 917. 64	3, 272, 002. 26	3, 702, 920. 00
Rice:				
Processing taxes			508, 253. 10	508, 253. 10
Import compensating			162, 852. 93	162, 852. 93
Total			671, 106. 03	671, 106. 03
Rye:				
Processing taxes			115, 739. 73	115, 739. 73
Import compensating			30, 090. 16	30, 090. 16
Total			145, 829. 89	145, 829. 89
Unclassified processing taxes		−2, 408, 806. 33	−770, 849. 30	364, 304. 48
Total processing taxes	140, 563, 248. 61	499, 121, 635. 71	321, 035, 513. 67	960, 720, 397. 99
Cotton ginning taxes		121, 505. 95	1, 299, 405. 01	1, 420, 910. 96
Tobacco sales taxes		1, 065, 013. 05	2, 930, 141. 22	3, 995, 154. 27
Potato sales taxes			275. 57	275. 57
Grand total	140, 563, 248. 61	500, 308, 154. 71	325, 265, 335. 47	966, 136, 738. 79

EXHIBIT 2.—*Processing and related taxes collected (gross) through Dec. 31, 1935, as reported by the Bureau of Internal Revenue, classified by State and by commodity*

State	Total	Wheat	Cotton	Tobacco	Field corn
Alabama	$16, 398, 233. 92	$124, 693. 29	$14, 797, 013. 42	$27, 424. 27	$178, 649. 83
Arizona	761, 591. 26	372, 976. 46	42, 581. 88	3, 381. 63	3, 281. 52
Arkansas	922, 975. 03	126, 517. 45	470, 696. 09	19, 022. 98	83, 578. 82
California	37, 436, 360. 82	11, 402, 678. 29	2, 952, 707. 83	1, 175, 221. 99	52, 163. 10
Colorado	17, 594, 577. 78	5, 062, 041. 77	389, 006. 13	14, 248. 38	6, 682. 98
Connecticut	3, 504, 318. 20	113, 615. 50	2, 592, 852. 06	71, 401. 84	2, 410. 63
Delaware	1, 009, 867. 20	210, 521. 09	167, 443. 29	155, 598. 98	6, 964. 02
Florida	1, 784, 956. 30	83, 173. 12	154, 742. 07	820, 917. 22	18, 063. 50
Georgia	40, 539, 058. 29	1, 249, 292. 12	33, 390, 844. 54	51, 273. 54	256, 255. 94
Hawaii	884, 198. 15	34, 955. 59	139, 506. 29	13, 206. 79	299. 69
Idaho	1, 311, 816. 06	777, 026. 46	54, 825. 36	4, 193. 55	1, 499. 29
Illinois	155, 874, 891. 04	16, 375, 962. 88	4, 958, 363. 32	1, 596, 885. 03	1, 667, 237. 63
Indiana	16, 246, 558. 79	5, 698, 586. 94	869, 115. 64	215, 388. 82	870, 894. 62
Iowa	30, 622, 085. 76	1, 047, 192. 94	407, 753. 57	53, 195. 87	1, 254, 355. 26
Kansas	27, 093, 126. 34	25, 104, 013. 73	435, 288. 36	16, 588. 07	43, 705. 01
Kentucky	16, 013, 319. 42	3, 663, 727. 32	939, 942. 71	6, 870, 644. 85	736, 375. 94
Louisiana	11, 661, 834. 41	137, 184. 09	1, 501, 060. 93	104, 180. 29	142, 248. 20
Maine	3, 422, 171. 61	79, 079. 84	2, 985, 521. 67	14, 830. 29	1, 845. 06
Maryland	14, 008, 223. 57	1, 274, 532. 04	3, 338, 327. 47	186, 977. 31	30, 660. 93
Massachusetts	43, 513, 139. 96	508, 166. 31	34, 117, 292. 21	135, 806. 43	26, 517. 24
Michigan	12, 383, 783. 29	4, 887, 637. 90	1, 156, 621. 09	779, 442. 22	362, 905. 17
Minnesota	56, 222, 222. 81	45, 787, 964. 02	682, 798. 02	66, 014. 68	30, 324. 69
Mississippi	1, 653, 456. 09	91, 553. 04	1, 284, 880. 15	15, 890. 37	52, 217. 21
Missouri	38, 574, 390. 76	21, 856, 809. 69	3, 841, 889. 69	2, 076, 559. 31	449, 936. 28
Montana	4, 508, 565. 27	3, 869, 174. 83	65, 149. 78	9, 061. 84	3, 139. 60
Nebraska	9, 928, 387. 99	6, 926, 474. 19	219, 406. 57	17, 725. 57	166, 249. 11
Nevada	204, 311. 21	89, 888. 23	8, 872. 98	8, 667. 96	2, 846. 88
New Hampshire	3, 672, 705. 56	271, 956. 16	3, 137, 540. 87	89, 678. 30	1, 635. 02
New Jersey	8, 182, 017. 34	658, 884. 90	2, 294, 106. 45	2, 107, 347. 51	11, 930. 68
New Mexico	282, 587. 49	145, 119. 51	42, 305. 13	3, 191. 54	1, 888. 22
New York	112, 305, 085. 78	24, 997, 414. 97	21, 352, 568. 62	13, 783, 122. 95	3, 927, 060. 59
North Carolina	70, 381, 874. 90	2, 905, 949. 32	46, 073, 608. 15	19, 881, 176. 92	112, 247. 03
North Dakota	2, 163, 918. 11	1, 853, 155. 25	68, 864. 37	2, 579. 50	1, 040. 26
Ohio	30, 616, 213. 03	10, 608, 551. 23	2, 509, 443. 84	2, 753, 526. 63	158, 726. 56
Oklahoma	7, 845, 138. 97	6, 348, 098. 89	598, 381. 49	17, 943. 05	133, 081. 87
Oregon	7, 198, 351. 25	5, 953, 449. 88	180, 322. 82	13, 342. 64	3, 667. 19
Pennsylvania	34, 029, 399. 49	5, 788, 845. 99	3, 778, 301. 26	2, 727, 277. 44	271, 871. 49
Rhode Island	5, 342, 628. 28	57, 770. 89	5, 051, 637. 73	17, 757. 35	6, 333. 89
South Carolina	35, 296, 567. 13	194, 375. 80	34, 205, 223. 83	36, 320. 17	53, 007. 16
South Dakota	926, 166. 45	475, 508. 26	72, 235. 53	4, 982. 59	2, 347. 93
Tennessee	13, 193, 468. 64	3, 649, 118. 63	4, 454, 071. 59	1, 315, 008. 27	296, 353. 65
Texas	24, 345, 702. 67	15, 785, 207. 53	3, 794, 123. 46	96, 535. 29	312, 566. 26
Utah	4, 149, 030. 96	537, 748. 67	106, 175. 48	4, 556. 82	1, 310. 54
Vermont	599, 378. 63	78, 093. 01	283, 294. 84	4, 966. 23	615. 28
Virginia	18, 699, 974. 06	3, 360, 172. 07	4, 498, 137. 48	5, 619, 843. 12	114, 536. 97
Washington	10, 608, 692. 85	8, 133, 549. 47	330, 835. 75	25, 181. 01	35, 386. 14
West Virginia	2, 180, 846. 51	692, 815. 54	372, 612. 78	502, 557. 04	48, 511. 44
Wisconsin	9, 208, 052. 89	879, 866. 75	668, 910. 39	95, 065. 57	286, 198. 70
Wyoming	466, 211. 99	297, 797. 58	24, 605. 41	2, 445. 00	681. 72
Unclassified	364, 304. 48				
Total	966, 136, 738. 79	250, 628, 889. 43	245, 861, 810. 39	63, 628, 155. 02	12, 232, 306. 74

State	Hogs	Paper and jute	Sugar	Peanuts	Rice
Alabama	$529, 286. 89	$26, 066. 78	$148, 395. 75	$195, 826. 41	
Arizona	321, 113. 53	2, 063. 38	9, 348. 88		
Arkansas	147, 233. 44	9, 024. 34	13, 652. 40	117. 43	$17, 500. 65
California	5, 056, 198. 53	1, 099, 775. 31	15, 642, 210. 81	590. 59	45, 744. 49
Colorado	1, 066, 713. 71	200, 458. 23	10, 855, 087. 55		
Connecticut	706, 668. 71	6, 296. 16	10, 713. 07		
Delaware	447, 234. 94	20, 792. 73	1, 312. 15		
Florida	238, 717. 50	46, 760. 56	269, 253. 80	94, 383. 31	591. 67
Georgia	1, 113, 200. 43	332, 085. 67	3, 106, 632. 17	853, 410. 89	
Hawaii	122, 404. 23	467, 708. 38	69, 641. 61	2, 451. 19	34, 024. 02
Idaho	451, 518. 46	19, 624. 23	3, 128. 57		
Illinois	130, 267, 684. 66	571, 638. 29	427, 545. 97	1. 82	21. 19
Indiana	8, 263, 043. 53	37, 423. 79	179, 596. 93		
Iowa	27, 728, 536. 17	35, 481. 75	94, 679. 97		
Kansas	1, 257, 127. 21	80, 847. 41	155, 409. 43		
Kentucky	1, 756, 363. 21	50, 804. 15	29, 112. 67		
Louisiana	245, 151. 47	311, 351. 64	8, 833, 675. 79		336, 286. 80
Maine	195, 636. 66	133, 497. 33	11, 752. 01		8. 75
Maryland	3, 406, 269. 32	629, 716. 95	5, 093, 766. 69	70. 13	36, 858. 27
Massachusetts	5, 146, 682. 18	501, 975. 62	3, 075, 002. 07	25. 02	1, 066. 56
Michigan	2, 615, 354. 04	141, 947. 55	2, 429, 015. 26	13. 45	8, 872. 81
Minnesota	9, 297, 399. 09	262, 958. 46	94, 466. 67		. 18
Mississippi	60, 539. 26	4, 203. 46	10, 057. 66		

EXHIBIT 2.—*Processing and related taxes collected (gross) through Dec. 31, 1935, as reported by the Bureau of Internal Revenue, classified by State and by commodity*—Continued

State	Hogs	Paper and jute	Sugar	Peanuts	Rice
Missouri	$8,837,852.53	$1,422,889.37	$57,410.78		
Montana	544,665.61	10,664.62	6,708.99		
Nebraska	2,548,128.59	27,413.97	21,622.12		
Nevada	77,563.15	6.67	16,465.34		
New Hampshire	25,624.57	144,181.08	2,047.24		
New Jersey	3,006,757.10	87,997.40	14,603.80		
New Mexico	62,410.20	1,506.12	7,735.70	$1,818.17	
New York	13,397,930.29	3,184,566.29	31,617,682.43	962.91	$37,541.14
North Carolina	288,159.73	49,868.52	134,076.84	152,244.80	3.80
North Dakota	227,286.02	7,346.16	3,646.55		
Ohio	13,425,958.85	718,557.36	377,804.65	.09	.30
Oklahoma	677,922.44	21,108.25	30,550.96	17,556.86	
Oregon	920,184.45	102,306.26	23,513.80	13.91	1,544.44
Pennsylvania	9,591,049.07	538,983.47	11,285,256.78	15,383.80	10,598.58
Rhode Island	202,983.48	2,552.06	3,591.90		
South Carolina	333,552.23	16,747.48	208,746.87	642.51	
South Dakota	360,854.26	3,499.72	6,738.16		
Tennessee	2,498,591.79	271,864.02	22,604.82	36,181.07	
Texas	1,804,129.02	191,190.70	1,682,224.01	232,941.29	136,396.16
Utah	355,553.17	31,145.10	3,112,522.55		18.63
Vermont	77,312.49	153,080.12	1,998.02		
Virginia	1,257,794.86	499,343.56	832,041.10	2,097,471.48	
Washington	1,956,434.37	56,365.82	65,647.33	812.87	4,027.59
West Virginia	282,974.05	223,774.27	12,603.97		
Wisconsin	6,741,262.01	316,648.52	213,970.56		
Wyoming	138,073.39	735.37	1,873.52		
Total	270,081,084.89	13,076,844.45	100,327,146.67	3,702,920.00	671,106.03

State	Cotton ginning	Tobacco producers' sales	Rye	Sale of potato stamps	Unclassified
Alabama	$370,877.28				
Arizona	6,843.98				
Arkansas	35,631.43				
California	7,760.83		$1,309.05		
Colorado			339.03		
Connecticut		$220.04	140.19		
Florida	42,507.18	15,572.30		$274.07	
Georgia	65,465.09	120,597.90			
Hawaii			.36		
Idaho			.14		
Illinois	8,453.44	10.08	1,086.73		
Indiana		85,946.52	26,562.00		
Iowa			890.23		
Kansas			147.12		
Kentucky	4,388.67	1,903,286.81	58,673.09		
Louisiana	50,237.44		457.76		
Maryland			11,044.46		
Massachusetts			606.32		
Michigan			1,973.80		
Minnesota			297.00		
Mississippi	134,114.94				
Missouri	20,348.71	5,275.20	5,419.20		
Nebraska			1,367.87		
New Hampshire			42.32		
New Jersey			389.50		
New Mexico	16,612.90				
New York			6,235.59		
North Carolina	114,159.46	670,380.33			
Ohio		63,494.62	148.90		
Oklahoma	495.16				
Oregon			5.86		
Pennsylvania			21,831.61		
Rhode Island			.98		
South Carolina	133,988.58	113,962.50			
Tennessee	88,697.41	560,977.39			
Texas	310,361.00		26.45	1.50	
Vermont			18.64		
Virginia	9,967.46	410,433.16	232.80		
Washington			452.50		
West Virginia		44,997.42			
Wisconsin			6,130.39		
Unclassified					$364,304.48
Total	1,420,910.96	3,995,154.27	145,829.89	275.57	364,304.48

EXHIBIT 3.—*Tax refund through Dec. 31, 1935, as reported by the Bureau of Internal Revenue, analyzed by commodity and nature*

Commodity	Overpayment		Charitable	Export	Total
	Interest	Amount			
Wheat	$4, 592. 08	$99, 222. 21	$2, 685, 502. 24	$3, 329, 725. 65	$6, 119, 042. 18
Cotton	12, 282. 39	4, 261, 069. 98	2, 385, 897. 65	5, 326, 760. 82	11, 986, 010. 84
Tobacco	263. 30	13. 884. 26	4. 133. 20	1, 295. 47	19, 576. 23
Field corn	964. 04	30, 524. 72	20, 418. 93	181, 623. 54	233, 531. 23
Hogs	2, 710. 03	63, 962. 76	4, 787, 639. 20	17, 370, 524. 38	22, 224, 836. 37
Paper and jute	7, 313. 78	1, 456, 440. 63	7, 069. 79	83, 172. 49	1, 553, 996. 69
Sugar	537. 98	17, 558. 99	218, 110. 32	150, 070. 53	386, 277. 82
Peanuts		9. 23	16, 457. 63	465. 27	16, 932. 13
Rice			3. 00	1, 213, 838. 41	1, 213, 841. 41
Cotton ginning	59. 59	1, 719. 44			1, 779. 03
Tobacco producers' sale tax		8, 344. 85			8, 334. 85
Total	28, 723. 19	5, 952, 737. 07	10, 125, 231. 96	27, 657, 476. 56	43, 764, 168. 78

APPENDIX B.—PROCESSING TAXES, DATES EFFECTIVE, AND RATES

EXHIBIT 4.—*Processing taxes—dates effective and rates*

Commodity	Date processing tax effective—	Rate of processing tax
Corn and hogs:		
Corn ... bu	Nov. 5, 1933	5 cents per bushel (56 pounds).
Hogs ... cwt	do	50 cents per hundredweight, live weight.
	Dec. 1, 1933	$1 per hundredweight, live weight.
	Feb. 1, 1934	$1.50 per hundredweight, live weight.
	Mar. 1, 1934	$2.25 per hundredweight, live weight.
Cotton ... lb	Aug. 1, 1933	4.2 cents per pound (lint).
Peanuts ... do	Oct. 1, 1934	1 cent per pound (farmers' stock weight).
Rice (rough) ... bu	Apr. 1, 1935	1 cent per pound.
Rye ... do	Sept. 1, 1935	30 cents per bushel (56 pounds).
Sugar beets and sugarcane ... tons	June 8, 1934	5 cents per pound of sugar, raw value, except cane used in manufacturing of sirup of cane juice and edible molasses: when rate is 0.125 cents per pound sugar, raw value.
Wheat ... bu	July 9, 1933	3 cents per bushel (60 pounds).
Tobacco—All:		
Flue-cured (11–14) ... lb	Oct. 1, 1933	4.2 cents per pound farm sales weight.
	Aug. 1, 1934 (chewing only)	3.3 cents per pound farm sales weight.
	Feb. 1, 1935 (chewing only)	2.0 cents per pound farm sales weight.
	Oct. 1, 1935	1.89 cents per pound farm sales weight.
Fire-cured (21–24) ... do	Oct. 1, 1933	2.9 cents per pound farm sales weight.
	Feb. 1, 1935 (chewing only)	2.0 cents per pound farm sales weight.
	Oct. 1, 1935	2.14 cents per pound farm sales weight.
Burley (31) ... do	Oct. 1, 1933	2.0 cents per pound farm sales weight.
	Oct. 1, 1934 (general)	6.1 cents per pound farm sales weight.
	Oct. 1, 1934 (chewing only)	4.1 cents per pound farm sales weight.
	Feb. 1, 1935 (chewing only)	2.5 cents per pound farm sales weight.
	Oct. 1, 1935 (general)	3.5 cents per pound farm sales weight.
	Oct. 1, 1935 (chewing only)	2.5 cents per pound farm sales weight.
Maryland (32) ... do	Oct. 1, 1933 (general)	1.7 cents per pound farm sales weight.
	Oct. 1, 1934 (general)	0.0 cent per pound farm sales weight.
	Oct. 1, 1935 (general)	3.62 cents per pound farm sales weight.
Dark air-cured (35–37) ... lb	Oct. 1, 1933 (general)	3.3 cents per pound farm sales weight.
	Feb. 1, 1935 (chewing only)	2.0 cents per pound farm sales weight.
Cigar leaf (including type 41, filler; type 42, filler; type 51, binder; type 54, binder; type 62, wrapper; and Puerto Rican, 46) ... lb	Oct. 1, 1933	3.0 cents per pound farm sales weight.
	Feb. 1, 1935 (chewing only)	2.0 cents per pound farm sales weight.
	Oct. 1, 1935 (general)	3.0 cents per pound farm sales weight.

APPENDIX C.—EXPENDITURES

EXHIBIT 5.—*Summary of expenditures through Dec. 31, 1935, analyzed by State and character*

State	Total expenditures	General administrative	Rental and benefit	Trust fund operations
Washington, D. C	$31, 826, 368. 12	$31, 826, 368. 12		
Alabama	32, 725, 662. 49	2, 756, 764. 85	$29, 938, 661. 70	$30, 235. 94
Arizona	2, 425, 622. 80	125, 574. 95	2, 273, 696. 31	26, 351. 54
Arkansas	38, 836, 310. 51	2, 300, 142. 38	35, 313, 740. 02	1, 222, 428. 11
California	14, 196, 126. 13	1, 088, 244. 55	13, 104, 109. 10	3, 772. 48
Colorado	16, 111, 105. 84	584, 162. 16	15, 526, 943. 68	
Connecticut	2, 094, 745. 88	150, 206. 34	1, 944, 539. 54	
Delaware	412, 209. 22	47, 491. 95	364, 717. 27	
Florida	3, 313, 836. 67	447, 207. 43	2, 852, 837. 16	13, 792. 08
Georgia	33, 767, 071. 25	2, 701, 284. 96	30, 947, 145. 52	118, 640. 77
Hawaii	11, 286, 613. 38	43, 098. 10	11, 243, 515. 28	
Idaho	12, 403, 972. 38	265, 343. 57	12, 138, 628. 81	
Illinois	57, 755, 649. 37	869, 600. 19	56, 886, 049. 18	
Indiana	36, 644, 454. 81	517, 991. 31	36, 126, 463. 50	
Iowa	94, 189, 791. 42	897, 760. 82	93, 292. 030. 60	
Kansas	87, 523, 896. 64	767, 924. 20	86, 755, 192. 42	780. 02
Kentucky	21, 415, 637. 57	783, 727. 53	20, 631, 910. 04	
Louisiana	31, 802, 301. 46	1, 757, 582. 63	29, 549, 383. 54	495, 335. 29
Maine	87, 658. 43	81, 593. 43	6, 065. 00	
Maryland	3, 267, 334. 29	362, 294. 53	2, 905, 039. 76	
Massachusetts	1, 510, 878. 61	243, 752. 40	1, 267, 126. 21	
Michigan	9, 337, 288. 93	457, 002. 80	8, 880, 286. 13	
Minnesota	33, 864, 215. 53	1, 047, 111. 53	32, 817, 104. 00	
Mississippi	37, 064, 667. 80	2, 544, 632. 74	34, 379, 868. 30	140, 166. 76
Missouri	44, 025, 198. 85	1, 481, 603. 98	42, 522, 601. 29	20, 993. 58
Montana	19, 302, 725. 37	569, 254. 55	18, 733, 470. 82	
Nebraska	58, 569, 586. 01	934, 736. 15	57, 634, 849. 86	
Nevada	254, 087. 52	100, 351. 54	153, 735. 98	
New Hampshire	114, 292. 83	51, 265. 38	63, 027. 45	
New Jersey	720, 100. 17	199, 200. 53	520, 899. 64	
New Mexico	4, 103, 503. 61	391, 702. 25	3, 684, 740. 92	27, 060. 44
New York	1, 646, 419. 90	1, 076, 818. 46	569, 601. 44	
North Carolina	33, 195, 291. 19	2, 458, 702. 52	30, 731, 379. 44	5, 209. 23
North Dakota	41, 842, 054. 19	571, 342. 91	41, 270, 711. 28	
Ohio	28, 825, 625. 61	939, 914. 54	27, 885, 711. 07	
Oklahoma	59, 911, 642. 16	2, 535, 088. 22	53, 128, 471. 86	4, 248, 082. 08
Oregon	8, 202, 154. 40	393, 385. 32	7, 808, 769. 08	
Pennsylvania	3, 848, 576. 88	566, 469. 77	3, 282, 107. 11	
Philippine Islands	8, 861, 787. 43	213, 604. 64	8, 648, 182. 79	
Puerto Rico	3, 953, 761. 36	66, 280. 64	3, 887, 480. 72	
Rhode Island	55, 645. 52	49, 326. 03	6, 319. 49	
South Carolina	23, 675, 997. 58	1, 809, 641. 98	21, 823, 284. 69	43, 070. 91
South Dakota	32, 611, 543. 29	780, 176. 73	31, 831, 366. 56	
Tennessee	20, 692, 405. 53	1, 427, 634. 87	19, 263, 792. 28	978. 38
Texas	148, 179, 619. 83	5, 909, 932. 71	132, 776, 927. 75	9, 492, 759. 37
Utah	4, 198. 613. 76	184, 629. 32	4, 013, 984. 44	
Vermont	213, 699. 05	109, 847. 45	103, 851. 60	
Virginia	7, 912, 977. 06	837, 456. 81	7, 074, 492. 76	1, 027. 49
Washington	15, 981, 236. 36	394, 029. 64	15, 587, 206. 72	
West Virginia	1, 057, 236. 03	263, 530. 97	793, 705. 06	
Wisconsin	13, 007, 475. 34	879, 869. 05	12, 127, 606. 29	
Wyoming	3, 557, 568. 56	308, 029. 72	3, 249, 538. 84	
Miscellaneous	27, 575. 46	27, 575. 46		
Total	1, 202, 411, 820. 38	78, 198, 265. 61	1,108,822,870. 30	15, 890, 684. 47
	75, 682, 086. 31	Removal and conservation of surplus.[1]		
	157, 720, 130. 37	Drought relief, food conservation, and disease-eradication operations.[1]		
Grand total	1, 435, 814, 037. 06			

[1] Figures by State not available.

EXHIBIT 6.—*Rental and benefit payments through Dec. 31, 1935, analyzed by State and commodity*

State	Schedule	Total	Cotton	Wheat	Tobacco	Corn-hogs	Sugar	Rice	Peanuts
Alabama	2	$29, 938, 661. 70	$29, 198, 799. 77		$6, 889. 92	$645, 512. 00			$87, 460. 01
Arizona	3	2, 273, 696. 31	2, 142, 554. 99	$49, 313. 73		81, 827. 59			
Arkansas	4	35, 313, 740. 02	31, 860, 802. 79	6, 584. 45	775. 66	1, 595, 985. 93		$1, 849, 591. 19	
California	5	13, 104, 109. 10	2, 465, 349. 85	2, 893, 108. 31		2, 447, 278. 74	$3, 580, 647. 02	1, 717, 725. 18	
Colorado	6	15, 526, 943. 68		5, 611, 022. 21		3, 823, 943. 13	6, 091, 978. 34		
Connecticut	7	1, 944, 539. 54			1, 878, 494. 17	66, 045. 37			
Delaware	8	364, 717. 27		283, 401. 50		81, 315. 77			
Florida	9	2, 852, 837. 16	835, 258. 57		443, 355. 60	396, 220. 96	1, 178, 002. 03		
Georgia	10	30, 947, 145. 52	27, 555, 871. 81	16, 582. 47	2, 547, 401. 39	238, 335. 94			588, 953. 91
Hawaii	11	11, 243, 515. 28					11, 243, 515. 28		
Idaho	12	12, 138, 628. 81		8, 646, 676. 48		1, 578, 092. 27	1, 913, 860. 06		
Illinois	13	56, 886, 049. 18	3, 285. 57	6, 700, 477. 19	1, 765. 81	50, 135, 224. 01	45, 296. 60		
Indiana	14	36, 126, 463. 50		5, 082, 153. 83	388, 983. 12	30, 466, 520. 70	188, 805. 85		
Iowa	15	93, 292, 030. 60		1, 123, 157. 83		91, 929, 517. 75	239, 355. 02		
Kansas	16	86, 755, 192. 42	6, 529. 28	64, 646, 607. 32	18, 417. 44	21, 858, 170. 77	225, 467. 61		
Kentucky	17	20, 631, 910. 04	203, 154. 21	651, 482. 80	14, 306, 778. 73	5, 470, 476. 30			18. 00
Louisiana	18	29, 549, 383. 54	16, 871, 179. 53			124, 180. 33	8, 585, 410. 40	3, 968, 613. 28	
Maine	19	6, 065. 00				6, 065. 00			
Maryland	20	2, 905, 039. 76		2, 102, 061. 75	73, 303. 91	729, 674. 10			
Massachusetts	21	1, 267, 126. 21			719, 300. 60	547, 825. 61			
Michigan	22	8, 880, 286. 13		2, 217, 385. 69		4, 084, 199. 04	2, 578, 701. 40		
Minnesota	23	32, 817, 104. 00		4, 900, 723. 80	93, 080. 07	26, 890, 577. 67	932, 722. 46		
Mississippi	24	34, 379, 868. 30	34, 279, 625. 75			100, 242. 55			
Missouri	25	42, 522, 601. 29	5, 277, 584. 36	4, 128, 541. 49	280, 238. 07	32, 834, 304. 31		1, 933. 06	
Montana	26	18, 733, 470. 82		15, 808, 591. 98		774, 950. 63	2, 149, 928. 21		
Nebraska	27	57, 634, 849. 86		15, 322, 269. 62		39, 821, 123. 87	2, 491, 456. 37		
Nevada	28	153, 735. 98		76, 715. 27		77, 020. 71			
New Hampshire	29	63, 027. 45			12, 640. 39	50, 387. 06			
New Jersey	30	520, 899. 64		29, 412. 67		491, 486. 97			
New Mexico	31	3, 684, 740. 92	1, 724, 451. 03	1, 343, 083. 42		609, 977. 12	6, 288. 52		940. 83
New York	32	569, 601. 44		105, 761. 55	87, 932. 52	375, 907. 37			
North Carolina	33	30, 731, 379. 44	13, 808, 584. 21	134, 000. 60	15, 017, 275. 83	957, 614. 69			813, 904. 11
North Dakota	34	41, 270, 711. 28		36, 711, 690. 10		4, 218, 786. 46	340, 234. 72		
Ohio	35	27, 885, 711. 07		4, 534, 493. 41	1, 790, 519. 98	20, 913, 765. 10	646, 932. 58		
Oklahoma	36	53, 128, 471. 86	27, 834, 054. 70	18, 244, 627. 38	58. 00	7, 006, 877. 03			42, 854. 75
Oregon	37	7, 808, 769. 08		6, 807, 716. 29		1, 001, 052. 79			
Pennsylvania	38	3, 282, 107. 11		640, 031. 06	1, 938, 243. 28	703, 832. 77			
Philippine Islands	39	8, 648, 182. 79					8, 648, 182. 79		
Puerto Rico	40	3, 887, 480. 72			2, 307, 432. 63		1, 580, 048. 09		
Rhode Island	41	6, 319. 49				6, 319. 49			
South Carolina	42	21, 823, 284. 69	18, 046, 506. 52		3, 221, 464. 95	541, 393. 33			13, 919. 89
South Dakota	43	31, 831, 366. 56		12, 915, 846. 91		18, 588, 458. 31	327, 061. 34		
Tennessee	44	19, 263, 792. 28	10, 773, 496. 73	343, 925. 28	3, 650, 875. 99	4, 477, 526. 63			17, 967. 65
Texas	45	132, 776, 927. 75	109, 858, 721. 66	14, 383, 882. 52		6, 333, 332. 09		1, 845, 153. 11	355, 838. 37
Utah	46	4, 013, 984. 44		1, 688, 100. 31		272, 069. 51	2, 053, 814. 62		

Vermont	47	103, 851. 60			13, 351. 51	90, 500. 09			
Virginia	48	7, 074, 492. 76	770, 208. 71	1, 451, 631. 14	2, 430, 404. 04	1, 914, 857. 36			507, 391. 51
Washington	49	15, 587, 206. 72		14, 596, 125. 51		927, 386. 98	63, 694. 23		
West Virginia	50	793, 705. 06		200, 744. 48	175, 352. 56	417, 608. 02			
Wisconsin	51	12, 127, 606. 29		93, 520. 17	1, 850, 501. 13	9, 696, 503. 84	487, 081. 15		
Wyoming	52	3, 249, 538. 84		1, 133, 218. 85		626, 410. 48	1, 489, 909. 51		
Total		1, 108, 322, 870. 30	333, 516, 020. 04	255, 624, 669. 37	53, 254, 837. 30	397, 026, 684. 54	57, 088, 394. 20	9, 383, 015. 82	2, 429, 249. 03

EXHIBIT 7.—*General administrative expenses through Dec. 31, 1935, analyzed by State and commodity*

State	Total expenses	General expenses	Cotton	Wheat	Tobacco
Washington, D. C	$31,826,368.12	$9,903,485.18	$7,777,308.84	$3,785,819.19	$1,974,235.03
Canada	105.61				
China and Japan	7,009.09		7,009.09		
Europe	20,460.76			13,026.40	
Alabama	2,756,764.85	43,980.96	2,470,531.34	642.15	561.76
Arizona	125,574.95	3,922.84	81,782.54	17,285.96	95.08
Arkansas	2,300,142.38	125,772.98	1,926,275.65	10,694.73	1,503.66
California	1,088,244.55	191,841.54	192,481.95	136,907.04	11,541.58
Colorado	584,162.16	25,138.54	2,271.91	79,518.10	62.06
Connecticut	150,206.34	48,798.83	45,599.34	1,962.76	35,581.96
Delaware	47,491.95	15,109.59	4,866.05	9,036.91	4,728.52
Florida	447,207.43	79,060.13	187,336.96	4,282.46	62,509.44
Georgia	2,701,284.96	88,103.28	2,206,836.04	4,144.50	121,954.65
Hawaii	43,098.10	9,956.30	20,470.61	1,359.73	523.89
Idaho	265,343.57	20,601.33	2,772.35	102,146.49	198.88
Illinois	869,600.19	153,856.33	14,175.93	85,974.33	9,480.88
Indiana	517,991.31	21,998.97	6,155.90	97,120.37	15,310.07
Iowa	897,760.82	14,894.97	3,611.97	20,195.24	1,736.39
Kansas	767,924.20	20,165.54	3,070.16	251,640.15	526.14
Kentucky	783,727.53	41,426.00	39,825.20	37,793.89	454,247.27
Louisiana	1,757,582.63	119,685.46	1,221,076.61	2,034.19	1,657.81
Maine	81,593.43	25,632.99	28,782.38	1,391.63	321.84
Maryland	362,294.53	43,854.25	43,265.02	56,153.73	10,171.22
Massachusetts	243,752.40	56,567.64	111,983.12	1,633.26	12,019.13
Michigan	457,002.80	112,611.05	19,296.24	103,113.99	11,393.96
Minnesota	1,047,111.53	118,728.78	1,820.13	145,055.18	3,706.00
Mississippi	2,544,632.74	47,936.61	2,217,461.02	2,861.90	496.49
Missouri	1,481,603.98	180,166.82	246,229.94	174,391.26	25,699.30
Montana	569,254.55	139,075.38	1,474.87	176,843.44	182.63
Nebraska	934,736.15	79,796.06	2,042.83	209,456.36	215.34
Nevada	100,351.54	6,853.01	1,295.34	23,435.98	1,281.30
New Hampshire	51,265.38	3,975.72	29,817.83	3,726.58	1,249.94
New Jersey	199,200.53	4,913.40	43,562.22	17,255.74	54,250.17
New Mexico	391,702.25	23,923.09	108,753.42	33,210.78	418.93
New York	1,076,818.46	90,461.36	173,589.14	164,399.12	90,827.36
North Carolina	2,458,702.52	155,620.50	1,446,567.49	13,233.63	737,810.33
North Dakota	571,342.91	117,640.85	1,515.24	218,462.44	52.35
Ohio	939,914.54	20,566.09	32,132.97	195,049.81	100,454.72
Oklahoma	2,535,088.22	43,304.18	1,714,377.21	172,717.54	325.85
Oregon	393,385.32	67,219.12	2,841.71	121,844.80	166.05
Pennsylvania	566,469.77	50,707.80	45,376.33	62,544.66	57,613.27
Philippine Islands	213,604.64				
Puerto Rico	66,280.64	47,175.68			
Rhode Island	49,326.03	16,026.67	28,930.67	375.64	721.08
South Carolina	1,809,641.98	50,631.15	1,585,947.13	432.43	126,070.92
South Dakota	780,176.73	92,102.16	1,887.44	157,958.75	130.84
Tennessee	1,427,634.87	30,672.00	832,499.07	51,732.76	174,347.80
Texas	5,909,932.71	27,047.16	4,575,951.32	216,489.64	1,820.19
Utah	184,629.32	33,104.18	1,187.81	30,059.62	39.12
Vermont	109,847.45	20,314.42	26,747.65	5,277.56	411.29
Virginia	837,456.81	30,303.44	162,169.99	83,507.44	240,298.57
Washington	394,029.64	92,018.70	2,655.19	106,978.15	173.04
West Virginia	263,530.97	43,736.46	24,367.53	45,042.51	34,092.40
Wisconsin	879,869.05	84,922.73	17,136.60	32,241.75	83,372.32
Wyoming	308,029.72	16,620.89	2,189.63	58,255.12	211.60
Total	78,198,265.61	12,902,029.11	29,747,312.92	7,346,717.79	4,466,800.42

Exhibit 7.—*General administrative expenses through Dec. 31, 1935, analyzed by State and commodity*—Continued

State	Corn-hogs	Sugar	Cattle	Peanuts	Rice	Potatoes
Washington, D. C	$5, 075, 170. 68	$980, 892. 44	$2, 175, 713. 30	$68, 496. 17	$62, 591. 46	$22, 655. 83
Canada	105. 61					
Europe	7, 434. 36					
Alabama	21, 303. 24	2, 085. 80	182, 746. 07	34, 913. 53		
Arizona	19, 639. 30	264. 74	2, 584. 49			
Arkansas	52, 191. 50	1, 102. 35	164, 539. 75	9. 24	18, 052. 52	
California	155, 065. 87	146, 856. 49	237, 888. 25	5. 83	15, 656. 00	
Colorado	150, 922. 76	57, 607. 83	268, 640. 96			
Connecticut	13, 482. 07	216. 60	4, 564. 78			
Delaware	13, 716. 09	34. 79				
Florida	27, 689. 23	13, 366. 75	57, 483. 82	15, 427. 25	51. 39	
Georgia	20, 917. 27	19, 872. 74	157, 923. 85	81, 532. 63		
Hawaii	5, 564. 62	3, 330. 62	180. 00	151. 51	1, 560. 82	
Idaho	77, 338. 22	13, 129. 05	49, 157. 25			
Illinois	531, 391. 83	1, 635. 72	73, 084. 78		. 39	
Indiana	286, 670. 16	1, 101. 92	89, 633. 92			
Iowa	576, 015. 77	1, 886. 56	279, 419. 92			
Kansas	253, 881. 28	1, 891. 84	236, 723. 44	25. 65		
Kentucky	147, 041. 73	247. 31	63, 146. 13			
Louisiana	15, 957. 32	161, 012. 38	171, 667. 63	22. 92	64, 468. 31	
Maine	10, 779. 45	223. 53	14, 461. 61			
Maryland	85, 300. 35	64, 387. 88	58, 463. 00	. 76	698. 32	
Massachusetts	29, 280. 14	16, 669. 15	15, 592. 23	. 11	7. 62	
Michigan	106, 510. 00	45, 293. 60	58, 535. 92	27. 40	220. 64	
Minnesota	289, 913. 57	2, 130. 72	485, 757. 15			
Mississippi	9, 627. 03	313. 18	265, 936. 51			
Missouri	355, 480. 08	236. 53	499, 400. 05			
Montana	59, 728. 42	13, 326. 61	178, 623. 20			
Nebraska	385, 186. 77	7, 222. 41	250, 816. 38			
Nevada	27, 819. 52	2, 401. 93	37, 264. 46			
New Hampshire	12, 477. 93	16. 75	. 63			
New Jersey	78, 721. 53	273. 83	223. 64			
New Mexico	35, 094. 64	1, 112. 06	188, 884. 43	304. 90		
New York	137, 653. 58	218, 831. 22	200, 807. 46	5. 30	243. 92	
North Carolina	35, 762. 31	237. 61	18, 988. 09	50, 482. 54	. 02	
North Dakota	109, 312. 08	3, 434. 20	120, 925. 75			
Ohio	350, 382. 43	10, 923. 61	230, 404. 91			
Oklahoma	137, 260. 73	471. 04	458, 804. 13	7, 827. 54		
Oregon	97, 158. 78	249. 33	103, 891. 23	. 20	14. 10	
Pennsylvania	119, 232. 00	122, 242. 09	108, 437. 94	174. 62	141. 06	
Philippine Islands		213, 604. 64				
Puerto Rico			19, 104. 96			
Rhode Island	3, 036. 74	193. 23	42. 00			
South Carolina	12, 301. 65	2, 183. 92	30, 258. 37	1, 816. 41		
South Dakota	242, 475. 25	1, 201. 17	284, 421. 12			
Tennessee	117, 118. 82	196. 26	158, 262. 65	1, 805. 51		
Texas	158, 526. 39	25, 336. 17	853, 260. 82	28, 196. 86	23, 304. 16	
Utah	31, 597. 52	37, 053. 97	51, 586. 90		. 20	
Vermont	24, 097. 38	121. 08	32, 878. 07			
Virginia	146, 797. 85	7, 940. 14	119, 416. 82	47, 022. 56		
Washington	77, 421. 25	4, 431. 36	110, 330. 90	. 45	20. 60	
West Virginia	69, 840. 69	477. 72	45, 973. 66			
Wisconsin	230, 070. 49	14, 506. 33	417, 618. 83			
Wyoming	45, 497. 41	9, 864. 14	175, 390. 93			
Total	1, 143, 961. 69	2, 233, 643. 34	9, 809, 863. 09	338, 249. 89	187, 031. 53	22, 655. 83

Exhibit 8.—*Statement of expenditures by production-control associations through Dec. 31, 1935, analyzed by State, commodity and program*

State	Grand total	Wheat			Tobacco		
		Total	1933–35 [1]	1935–36	Total	1934	1935
Alabama	$31,943.29						
Arizona	4,101.96	$1,425.40	$1,425.40				
Arkansas	118,791.52	344.28	344.28				
California	161,896.57	48,598.03	47,296.60	$1,301.43			
Colorado	533,827.08	211,107.10	200,861.05	10,246.05			
Connecticut	911.93						
Delaware	15,319.41	7,280.86	7,280.86				
Florida	19,222.05						
Georgia	7,003.41	449.29	449.29				
Idaho	429,792.80	316,597.05	313,164.42	3,432.63			
Illinois	2,512,812.18	328,370.40	310,470.53	17,899.87			
Indiana	1,645,914.84	251,591.91	247,260.16	4,331.75	$20,377.45	$13,969.94	$6,407.51
Iowa	3,159,838.92	40,977.29	39,828.28	1,149.01			
Kansas	2,922,269.86	1,574,245.68	1,463,131.29	111,114.39	624.86	547.57	77.29
Kentucky	805,135.04	41,064.06	40,257.98	806.08	435,469.74	296,814.68	138,655.06
Louisiana	53,816.31						
Maryland	84,507.55	48,008.69	47,224.09	784.60	4,501.91	3,419.75	1,082.16
Massachusetts	3,631.33						
Michigan	361,157.41	88,271.71	86,311.35	1,960.36			
Minnesota	1,272,985.70	213,755.70	204,524.55	9,231.15			
Mississippi	742.45						
Missouri	1,777,520.84	170,868.49	167,028.60	3,839.89	8,343.63	6,206.53	2,137.10
Montana	830,284.36	746,570.50	714,941.77	31,628.73			
Nebraska	2,256,042.55	460,567.76	432,453.19	28,114.57			
Nevada	5,949.25	3,331.68	3,331.68				
New Hampshire	715.53						
New Jersey	10,384.51	3,011.18	3,011.18				
New Mexico	65,300.22	26,583.11	25,502.33	1,080.78			
New York	28,712.56	7,098.01	7,098.01				
North Carolina	73,565.13	6,892.19	6,892.19		19,375.91	12,264.01	7,111.90
North Dakota	1,378,975.43	1,103,158.09	1,039,301.40	63,856.69			
Ohio	1,254,200.76	229,144.36	220,962.34	8,152.02	30,795.79	21,857.34	8,938.45
Oklahoma	976,301.97	429,006.67	396,510.18	32,496.49			
Oregon	211,805.84	158,923.04	156,229.33	2,693.71			
Pennsylvania	100,410.15	51,856.20	49,758.17	2,098.03			
Rhode Island	74.39						
South Carolina	19,769.56						
South Dakota	1,182,769.13	399,869.50	369,591.63	30,277.87			
Tennessee	376,532.64	14,613.07	14,529.07	84.00	164,765.38	98,326.64	66,438.74
Texas	701,232.17	323,047.44	306,392.25	16,655.19			
Utah	119,924.50	78,159.31	76,700.02	1,459.29			
Vermont	3,824.29						
Virginia	239,450.27	77,584.16	73,848.81	3,735.35	50,543.96	34,685.08	15,858.88
Washington	429,815.82	380,223.90	375,204.89	5,019.01			
West Virginia	43,469.92	9,396.45	9,329.55	66.90	8,538.82	5,299.40	3,239.42
Wisconsin	485,542.57	7,052.86	7,052.86				
Wyoming	103,667.50	43,698.14	41,956.29	1,741.85			
Total	26,821,863.47	7,902,713.56	7,507,455.87	395,257.69	743,337.45	493,390.94	249,946.51

Exhibit 8.—*Statement of expenditures by county production-trol associations through Dec. 31, 1935, analyzed by State, commodity, and program*—Cont.

State	Corn-Hogs			Sugar		
	Total	1934	1935	Total	1934	1935
Alabama	$31, 943. 29	$14, 412. 17	$17, 531. 12			
Arizona	2, 676. 56	2, 160. 37	516. 19			
Arkansas	118, 447. 24	68, 702. 01	49, 745. 23			
California	85, 361. 22	66, 568. 41	18, 792. 81	$27, 937. 32	$17, 496. 77	$10, 440. 55
Colorado	262, 352. 30	154, 328. 78	108, 023. 52	60, 367. 68	34, 867. 42	25, 500. 26
Connecticut	911. 93	809. 93	102. 00			
Delaware	8, 038. 55	2, 496. 15	5, 542. 40			
Florida	19, 222. 05	14, 200. 85	5, 021. 20			
Georgia	6, 554. 12	3, 959. 93	2, 594. 19			
Idaho	82, 262. 23	65, 759. 41	16, 502. 82	30, 933. 52	13, 757. 54	17, 175. 98
Illinois	2, 183, 666. 62	1, 445, 721. 50	737, 945. 12	775. 16	416. 86	358. 30
Indiana	1, 370, 887. 96	954, 584. 56	416, 303. 40	3, 057. 52	2, 084. 41	973. 11
Iowa	3, 115, 146. 86	1, 971, 883. 95	1, 143, 262. 91	3, 714. 77	2, 062. 27	1, 652. 50
Kansas	1, 343, 376. 66	907, 684. 83	435, 691. 83	4, 022. 66	1, 944. 95	2, 077. 71
Kentucky	328, 601. 24	205, 094. 47	123, 506. 77			
Louisiana	6, 801. 91	2, 704. 76	4, 097. 15	47, 014. 40	31, 017. 47	15, 996. 93
Maryland	31, 996. 95	21, 992. 10	10, 004. 85			
Massachusetts	3, 631. 33	2, 895. 76	735. 57			
Michigan	232, 203. 12	174, 765. 88	57, 437. 24	40, 682. 58	22, 919. 85	17, 762. 73
Minnesota	1, 051, 821. 43	674, 075. 36	377, 746. 07	7, 408. 57	2, 742. 44	4, 666. 13
Mississippi	742. 45	742. 45				
Missouri	1, 598, 308. 72	1, 048, 601. 62	549, 707. 10			
Montana	66, 471. 06	52, 001. 95	14, 469. 11	17, 242. 80	5, 784. 05	11, 458. 75
Nebraska	1, 777, 882. 85	1, 027, 132. 42	750, 750. 43	17, 591. 94	10, 721. 30	6, 870. 64
Nevada	2, 617. 57	2, 204. 84	412. 73			
New Hampshire	715. 53	715. 53				
New Jersey	7, 373. 33	5, 333. 59	2, 039. 74			
New Mexico	38, 062. 33	19, 790. 90	18, 271. 43	654. 78	369. 21	285. 57
New York	21, 614. 55	16, 752. 03	4, 862. 52			
North Carolina	47, 297. 03	28, 259. 21	19, 037. 82			
North Dakota	273, 726. 81	177, 789. 64	95, 937. 17	2, 090. 53	789. 11	1, 301. 42
Ohio	972, 574. 11	692, 903. 95	279, 670. 16	21, 716. 50	14, 448. 04	7, 268. 46
Oklahoma	547, 295. 30	326, 752. 77	220, 542. 53			
Oregon	52, 882. 80	43, 407. 08	9, 475. 72			
Pennsylvania	48, 553. 95	31, 641. 41	16, 912. 54			
Rhode Island	74. 39	74. 39				
South Carolina	19, 769. 56	11, 349. 10	8, 420. 46			
South Dakota	778, 330. 02	482, 688. 68	295, 641. 34	4, 569. 61	2, 582. 21	1, 987. 40
Tennessee	197, 154. 19	131, 184. 29	65, 969. 90			
Texas	378, 184. 73	232, 305. 18	145, 879. 55			
Utah	16, 858. 50	13, 882. 77	2, 975. 73	24, 906. 69	10, 977. 27	13, 929. 42
Vermont	3, 824. 29	3, 473. 85	350. 44			
Virginia	111, 322. 15	80, 860. 37	30, 461. 78			
Washington	46, 639. 01	38, 396. 08	8, 242. 93	2, 952. 91	631. 74	2, 321. 17
West Virginia	25, 534. 65	18, 291. 33	7, 243. 32			
Wisconsin	469, 163. 70	328, 807. 22	140, 356. 48	9, 326. 01	4, 304. 27	5, 021. 74
Wyoming	47, 475. 19	32, 113. 30	15, 361. 89	12, 494. 17	7, 840. 99	4, 653. 18
Total	17, 836, 352. 34	11, 602, 257. 13	6, 234, 095. 21	339, 460. 12	187, 758. 17	151, 701. 95

[1] The 1933–34 and 1934–35 wheat programs were consolidated in the same accounts.

Exhibit 9.—*Summary statement of payments made to producers on account of exercise of options by participation in cotton producers' pool through Dec. 31, 1935*

State	Total	First distribution	Second distribution	Purchase of participation trust certificates
Alabama	$4, 648, 096. 66	$3, 393, 951. 82	$983, 088. 33	$271, 056. 51
Arizona	255, 309. 67	187, 222. 88	63, 413. 53	4, 673. 26
Arkansas	6, 146, 675. 62	4, 491, 933. 76	1, 274, 133. 18	380, 608. 68
California	109, 054. 39	78, 992. 24	24, 817. 59	5, 244. 56
Florida	81, 714. 32	62, 498. 60	17, 160. 05	2, 055. 67
Georgia	4, 716, 325. 31	3, 448, 348. 13	1, 006, 236. 72	261, 740. 46
Kentucky	30, 789. 97	22, 357. 00	8, 432. 97	
Louisiana	2, 938, 752. 35	2, 135, 618. 96	533, 689. 40	269, 443. 99
Mississippi	7, 153, 742. 16	5, 243, 808. 08	1, 605, 578. 65	304, 355. 43
Missouri	644, 119. 15	468, 728. 32	149, 575. 28	25, 815. 55
New Mexico	311, 605. 46	228, 017. 42	77, 613. 89	5, 974. 15
North Carolina	1, 757, 092. 57	1, 310, 159. 30	366, 915. 12	80, 018. 15
Oklahoma	3, 082, 112. 76	2, 241, 343. 42	734, 498. 25	106, 271. 09
South Carolina	4, 124, 801. 71	3, 009, 512. 16	915, 200. 35	200, 089. 20
Tennessee	1, 601, 413. 55	1, 171, 264. 78	358, 800. 60	71, 348. 17
Texas	15, 827, 843. 81	11, 478, 101. 24	3, 384, 390. 63	965, 351. 94
Virginia	72, 554. 71	54, 389. 64	11, 810. 58	6, 354. 49
Total	53, 502, 004. 17	39, 026, 247. 75	11, 515, 355. 12	2, 960, 401. 30

Exhibit 10.—*Payments made to producers on account of exercise of options by sale of cotton through Dec. 31, 1935*

State	Amount	State	Amount	State	Amount
Alabama	$677, 348. 05	Kentucky	$183. 78	South Carolina	$750, 026. 55
Arizona	128, 655. 05	Louisiana	278, 253. 18	Tennessee	199, 734. 52
Arkansas	644, 278. 06	Mississippi	711, 791. 60	Texas	4, 463, 498. 22
California	147, 420. 01	Missouri	99, 412. 12	Virginia	57, 122. 89
Florida	18, 963. 90	New Mexico	56, 337. 74		
Georgia	1, 076, 438. 70	North Carolina	1, 003, 389. 17	Total	12, 603, 173. 62
Kansas	1, 862. 06	Oklahoma	2, 288, 458. 02		

APPENDIX D.—MAJORITY AND DISSENTING OPINIONS OF THE UNITED STATES SUPREME COURT IN HOOSAC MILLS CASE

Exhibit 11.—*Agricultural Adjustment Act, 1933*

OPINION OF THE SUPREME COURT OF THE UNITED STATES TOGETHER WITH THE DISSENTING OPINION IN THE CASE OF THE UNITED STATES OF AMERICA, PETITIONER, *v.* WILLIAM M. BUTLER, ET AL., RECEIVERS OF THE HOOSAC MILLS CORPORATION, INVOLVING THE CONSTITUTIONALITY OF THE AGRICULTURAL ADJUSTMENT ACT, APPROVED MAY 12, 1933

SUPREME COURT OF THE UNITED STATES

No. 401.—October Term, 1935

United States of America, petitioner

vs.

William M. Butler, et al., receivers of Hoosac Mills Corporation

On Writ of Certiorari to the United States Circuit Court of Appeals for the First Circuit

[January 6, 1936]

Mr. Justice Roberts delivered the opinion of the Court.

In this case we must determine whether certain provisions of the Agricultural Adjustment Act, 1933,[1] conflict with the federal Constitution.

[1] May 12, 1933, c. 25, 48 Stat. 31.

Title I of the statute is captioned "Agricultural Adjustment." Section 1 recites that an economic emergency has arisen, due to disparity between the prices of agricultural and other commodities, with consequent destruction of farmers' purchasing power and breakdown in orderly exchange, which, in turn, have affected transactions in agricultural commodities with a national public interest and burdened and obstructed the normal currents of commerce, calling for the enactment of legislation.

Section 2 declares it to be the policy of Congress:

"To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities[2] a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period."

The base period, in the case of cotton, and all other commodities except tobacco, is designated as that between August 1909 and July 1914.

The further policies announced are an approach to the desired equality by gradual correction of present inequalities "at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets", and the protection of consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities or products derived therefrom, which is returned to the farmer, above the percentage returned to him in the base period.

Section 8 provides, amongst other things, that "In order to effectuate the declared policy", the Secretary of Agriculture shall have power

"(1) To provide for reduction in the acreage or reduction in the production for market, or both, of any basic agricultural commodity, through agreements with producers or by other voluntary methods, and to provide for rental or benefit payments in connection therewith or upon that part of the production of any basic agricultural commodity required for domestic consumption, in such amounts as the Secretary deems fair and reasonable, to be paid out of any moneys available for such payments." . . .

"(2) To enter into marketing agreements with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or product thereof, after due notice and opportunity for hearing to interested parties." . . .

"(3) To issue licenses permitting processors, associations of producers, and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof."

It will be observed that the Secretary is not required, but is permitted, if, in his uncontrolled judgment, the policy of the act will so be promoted, to make agreements with individual farmers for a reduction of acreage or production upon such terms as he may think fair and reasonable.

Section 9 (a) enacts:

"To obtain revenue for extraordinary expenses incurred by reason of the national economic emergency, there shall be levied processing taxes as hereinafter provided. When the Secretary of Agriculture determines that rental or benefit payments are to be made with respect to any basic agricultural commodity, he shall proclaim such determination, and a processing tax shall be in effect with respect to such commodity from the beginning of the marketing year therefor next following the date of such proclamation. The processing tax shall be levied, assessed, and collected upon the first domestic processing of the commodity, whether of domestic production or imported, and shall be paid by the processor." . . .

The Secretary may from time to time, if he finds it necessary for the effectuation of the policy of the act, readjust the amount of the exaction to meet the requirements of subsection (b). The tax is to terminate at the end of any marketing year if the rental or benefit payments are discontinued by the Secretary with the expiration of that year.

Section 9 (b) fixes the tax "at such rate as equals the difference between the current average farm price for the commodity and the fair exchange value", with power in the Secretary, after investigation, notice, and hearing, to

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[2] Section 11 denominates wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products, "basic agricultural commodities", to which the act is to apply. Others have been added by later legislation.

readjust the tax so as to prevent the accumulation of surplus stocks and depression of farm prices.

Section 9 (c) directs that the fair exchange value of a commodity shall be such a price as will give that commodity the same purchasing power with respect to articles farmers buy as it had during the base period and that the fair exchange value and the current average farm price of a commodity shall be ascertained by the Secretary from available statistics in his department.

Section 12 (a) appropriates $100,000,000 "to be available to the Secretary of Agriculture for administrative expenses under this title and for rental and benefit payments . . ."; and Section 12 (b) appropriates the proceeds derived from all taxes imposed under the act "to be available to the Secretary of Agriculture for expansion of markets and removal of surplus agricultural products . . . Administrative expenses, rental and benefit payments, and refunds on taxes."

Section 15 (d) permits the Secretary, upon certain conditions, to impose compensating taxes on commodities in competition with those subject to the processing tax.

By Section 16 a floor tax is imposed upon the sale or other disposition of any article processed wholly or in chief value from any commodity with respect to which a processing tax is to be levied in amount equivalent to that of the processing tax which would be payable with respect to the commodity from which the article is processed if the processing had occurred on the date when the processing tax becomes effective.

On July 14, 1933, the Secretary of Agriculture, with the approval of the President, proclaimed that he had determined rental and benefit payments should be made with respect to cotton; that the marketing year for that commodity was to begin August 1, 1933; and calculated and fixed the rates of processing and floor taxes on cotton in accordance with the terms of the act.

The United States presented a claim to the respondents as receivers of the Hoosac Mills Corporation for processing and floor taxes on cotton levied under sections 9 and 16 of the act. The receivers recommended that the claim be disallowed. The District Court found the taxes valid and ordered them paid.[3] Upon appeal the Circuit Court of Appeals reversed the order.[4] The judgment under review was entered prior to the adoption of the amending act of August 24, 1935,[5] and we are therefore concerned only with the original act.

First. At the outset the United States contends that the respondents have no standing to question the validity of the tax. The position is that the act is merely a revenue measure levying an excise upon the activity of processing cotton—a proper subject for the imposition of such a tax—the proceeds of which go into the federal treasury and thus become available for appropriation for any purpose. It is said that what the respondents are endeavoring to do is to challenge the intended use of the money pursuant to Congressional appropriation when, by confession, that money will have become the property of the Government and the taxpayer will no longer have any interest in it. *Massachusetts* v. *Mellon*, 262 U. S. 447, is claimed to foreclose litigation by the respondents or other taxpayers, as such, looking to restraint of the expenditure of government funds. That case might be an authority in the petitioners' favor if we were here concerned merely with a suit by a taxpayer to restrain the expenditure of the public moneys. It was there held that a taxpayer of the United States may not question expenditures from its treasury on the ground that the alleged unlawful diversion will deplete the public funds and thus increase the burden of future taxation. Obviously the asserted interest of a taxpayer in the federal government's funds and the supposed increase of the future burden of taxation is minute and indeterminable. But here the respondents who are called upon to pay moneys as taxes, resist the exaction as a step in an unauthorized plan. This circumstance clearly distinguishes the case. The Government in substance and effect asks us to separate the Agricultural Adjustment Act into two statutes, the one levying an excise on processors of certain commodities, the other appropriating the public moneys independently of the first. Passing the novel suggestion that two statutes enacted as parts of a single scheme should be tested as if they were distinct and unrelated, we think the legislation now before us is not susceptible of such separation and treatment.

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[3] *Franklin Process Co.* v. *Hoosac Mills Corp.*, 8 F. Supp. 552.
[4] *Butler et al.* v. *United States*, 78 F. (2d) 1.
[5] Public, No. 320, 74th Congress, 1st Sess.

The tax can only be sustained by ignoring the avowed purpose and operation of the act, and holding it a measure merely laying an excise upon processors to raise revenue for the support of government. Beyond cavil the sole object of the legislation is to restore the purchasing power of agricultural products to a parity with that prevailing in an earlier day; to take money from the processor and bestow it upon farmers[6] who will reduce their acreage for the accomplishment of the proposed end, and, meanwhile, to aid these farmers during the period required to bring the prices of their crops to the desired level.

The tax plays an indispensable part in the plan of regulation. As stated by the Agricultural Adjustment Administrator, it is "the heart of the law"; a means of "accomplishing one or both of two things intended to help farmers attain parity prices and purchasing power."[7] A tax automatically goes into effect for a commodity when the Secretary of Agriculture determines that rental or benefit payments are to be made for reduction of production of that commodity. The tax is to cease when rental or benefit payments cease. The rate is fixed with the purpose of bringing about crop-reduction and price-raising. It is to equal the difference between the "current average farm price" and "fair exchange value." It may be altered to such amount as will prevent accumulation of surplus stocks. If the Secretary finds the policy of the act will not be promoted by the levy of the tax for a given commodity, he may exempt it. (Section 11.) The whole revenue from the levy is appropriated in aid of crop control; none of it is made available for general governmental use. The entire agricultural adjustment program embodied in Title I of the act is to become inoperative when, in the judgment of the President, the national economic emergency ends; and as to any commodity he may terminate the provisions of the law, if he finds them no longer requisite to carrying out the declared policy with respect to such commodity (Section 13).

The statute not only avows an aim foreign to the procurement of revenue for the support of government, but by its operation shows the exaction laid upon processors to be the necessary means for the intended control of agricultural production.

In these aspects the tax, so-called, closely resembles that laid by the Act of August 3, 1882, entitled "An Act to Regulate Immigration," which came before this court in the *Head Money Cases*, 112 U. S. 580. The statute directed that there should be levied, collected and paid a duty of fifty cents for each alien passenger who should come by vessel from a foreign port to one in the United States. Payment was to be made to the collector of the port by the master, owner, consignee or agent of the ship; the money was to be paid into the Treasury, was to be called the immigrant fund, and to be used by the Secretary of the Treasury to defray the expense of regulating immigration, for the care of immigrants and relieving those in distress, and for the expenses of effectuating the act.

Various objections to the act were presented. In answering them the court said (p. 595):

"But the true answer to all these objections is that the power exercised in this instance is not the taxing power. The burden imposed on the ship owner by this statute is the mere incident of the regulation of commerce—of that branch of foreign commerce which is involved in immigration." . . .

"It is true not much is said about protecting the ship owner. But he is the man who reaps the profit from the transaction, . . . The sum demanded of him is not, therefore, strictly speaking, a tax or duty within the meaning of the Constitution. The money thus raised, though paid into the Treasury, is appropriated in advance to the uses of the statute, and does not go to the general support of the government."

While there the exaction was sustained as an appropriate element in a plan within the power of Congress "to regulate commerce with foreign nations", no question was made of the standing of the shipowner to raise the question of the validity of the scheme and consequently of the exaction which was an incident of it.

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[6] U. S. Department of Agriculture, *Achieving A Balanced Agriculture*, p. 38: "Farmers should not forget that all the processing tax money ends up in their own pockets. Even in those cases where they pay part of the tax, they get it all back. Every dollar collected in processing taxes goes to the farmer in benefit payments."

U. S. Dept. of Agriculture, *The Processing Tax*, p. 1: "Proceeds of processing tax are passed to farmers as benefit payments."

[7] U. S. Department of Agriculture, *Agricultural Adjustment*, p. 9.

It is inaccurate and misleading to speak of the exaction from processors prescribed by the challenged act as a tax, or to say that as a tax it is subject to no infirmity. A tax, in the general understanding of the term, and as used in the Constitution, signifies an exaction for the support of the Government. The word has never been though to connote the expropriation of money from one group for the benefit of another. We may concede that the latter sort of imposition is constitutional when imposed to effectuate regulation of a matter in which both groups are interested and in respect of which there is a power of legislative regulation. But manifestly no justification for it can be found unless as an integral part of such regulation. The exaction cannot be wrested out of its setting, denominated an excise for raising revenue, and legalized by ignoring its purpose as a mere instrumentality for bringing about a desired end. To do this would be to shut our eyes to what all others than we can see and understand. *Child Labor Tax Case*, 259 U. S. 20, 37.

We conclude that the act is one regulating agricultural production; that the tax is a mere incident of such regulation and that the respondents have standing to challenge the legality of the exaction.

It does not follow that as the act is not an exertion of the taxing power and the exaction not a true tax, the statute is void or the exaction uncollectible. For, to paraphrase what was said in *The Head Money Cases* (*supra*), p. 596, if this is an expedient regulation by Congress, of a subject within one of its granted powers, "and the end to be attained is one falling within that power, the act is not void, because, within a loose and more extended sense than was used in the Constitution", the exaction is called a tax.

Second. The Government asserts that even if the respondents may question the propriety of the appropriation embodied in the statute their attack must fail because Article I, Section 8 of the Constitution authorizes the contemplated expenditure of the funds raised by the tax. This contention presents the great and the controlling question in the case.[8] We approach its decision with a sense of our grave responsibility to render judgment in accordance with the principles established for the governance of all three branches of the Government.

There should be no misunderstanding as to the function of this court in such a case. It is sometimes said that the court assumes a power to overrule or control the action of the people's representatives. This is a misconception. The Constitution is the supreme law of the land ordained and established by the people. All legislation must conform to the principles it lays down. When an act of Congress is appropriately challenged in the courts as not conforming to the constitutional mandate the judicial branch of the Government has only one duty—to lay the article of the Constitution which is invoked beside the statute which is challenged and to decide whether the latter squares with the former. All the court does, or can do, is to announce its considered judgment upon the question. The only power it has, if such it may be called, is the power of judgment. This court neither approves nor condemns any legislative policy. Its delicate and difficult office is to ascertain and declare whether the legislation is in accordance with, or in contravention of, the provisions of the Constitution; and having done that, its duty ends.[9]

The question is not what power the federal Government ought to have but what powers in fact have been given by the people. It hardly seems necessary to reiterate that ours is a dual form of government; that in every state there are two governments,—the state and the United States. Each State has all governmental powers save such as the people, by their Constitution, have conferred upon the United States, denied to the States, or reserved to themselves. The federal union is a government of delegated powers. It has only such as are expressly conferred upon it and such as are reasonably to be implied from those granted. In this respect we differ radically from nations

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[8] Other questions were presented and argued by counsel, but we do not consider or decide them. The respondents insist that the act in numerous respects delegates legislative power to the executive contrary to the principles announced in *Panama Refining Company* v. *Ryan*, 293 U. S. 388, and *Schechter Corp.* v. *United States*, 295 U. S 495; that this unlawful delegation is not cured by the amending act of August 24, 1935; that the exaction is in violation of the due process clause of the Fifth Amendment since the legislation takes their property for a private use; that the floor tax is a direct tax and therefore void for lack of apportionment amongst the states, as required by Article I, Section 9; and that the processing tax is wanting in uniformity and so violates Article I, Section 8, clause one, of the Constitution.

[9] Compare *Adkins* v. *Children's Hospital*, 261 U. S. 525, 544; *Massachusetts* v. *Mellon*, 262 U. S. 447, 488.

where all legislative power, without restriction or limitation, is vested in a parliament or other legislative body subject to no restrictions except the discretion of its members.

Article I, Section 8, of the Constitution vests sundry powers in the Congress. But two of its clauses have any bearing upon the validity of the statute under review.

The third clause endows the Congress with power "to regulate Commerce . . . among the several States". Despite a reference in its first section to a burden upon, and an obstruction of the normal currents of commerce, the act under review does not purport to regulate transactions in interstate or foreign[10] commerce. Its stated purpose is the control of agricultural production, a purely local activity in an effort to raise the prices paid the farmer. Indeed, the Government does not attempt to uphold the validity of the act on the basis of the commerce clause, which, for the purpose of the present case, may be put aside as irrelevant.

The clause thought to authorize the legislation,—the first,—confers upon the Congress power "to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States. . . ." It is not contended that this provision grants power to regulate agricultural production upon the theory that such legislation would promote the general welfare. The Government concedes that the phrase "to provide for the general welfare" qualifies the power "to lay and collect taxes". The view that the clause grants power to provide for the general welfare, independently of the taxing power, has never been authoritatively accepted. Mr. Justice Story points out that if it were adopted "it is obvious that under color of the generality of the words, to 'provide for the common defence and general welfare', the government of the United States is, in reality, a government of general and unlimited powers, notwithstanding the subsequent enumeration of specific powers."[11] The true construction undoubtedly is that the only thing granted is the power to tax for the purpose of providing funds for payment of the nation's debts and making provision for the general welfare.

Nevertheless the Government asserts that warrant is found in this clause for the adoption of the Agricultural Adjustment Act. The argument is that Congress may appropriate and authorize the spending of moneys for the "general welfare"; that the phrase should be liberally construed to cover anything conducive to national welfare; that decision as to what will promote such welfare rests with Congress alone, and the courts may not review its determination; and finally that the appropriation under attack was in fact for the general welfare of the United States.

The Congress is expressly empowered to lay taxes to provide for the general welfare. Funds in the Treasury as a result of taxation may be expended only through appropriation. (Art. I, Sec. 9, cl. 7.) They can never accomplish the objects for which they were collected unless the power to appropriate is as broad as the power to tax. The necessary implication from the terms of the grant is that the public funds may be appropriated "to provide for the general welfare of the United States." These words cannot be meaningless, else they would not have been used. The conclusion must be that they were intended to limit and define the granted power to raise and to expend money. How shall they be construed to effectuate the intent of the instrument?

Since the foundation of the nation sharp differences of opinion have persisted as to the true interpretation of the phrase. Madison asserted it amounted to no more than a reference to the other powers enumerated in the subsequent clauses of the same section; that, as the United States is a government of limited and enumerated powers, the grant of power to tax and spend for the general national welfare must be confined to the enumerated legislative fields committed to the Congress. In this view the phrase is mere tautology, for taxation and appropriation are or may be necessary incidents of the exercise of any of the enumerated legislative powers. Hamilton, on the other hand, maintained the clause confers a power separate and distinct from those later enumerated, is not restricted in meaning by the grant of them, and

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[10] The enactment of protective tariff laws has its basis in the power to regulate foreign commerce. See *Board of Trustees of the University of Illinios* v. *United States*, 289 U. S. 48, 58.

[11] Story, *Commentaries on the Constitution of the United States*, Fifth Ed., Vol. I, § 907.

Congress consequently has a substantive power to tax and to appropriate, limited only by the requirement that it shall be exercised to provide for the general walfare of the United States. Each contention has had the support of those whose views are entitled to weight. This court has noticed the question, but has never found it necessary to decide which is the true construction. Mr. Justice Story, in his Commentaries, espouses the Hamiltonian position.[12] We shall not review the writings of public men and commentators or discuss the legislative practice. Study of all these leads us to conclude that the reading advocated by Mr. Justice Story is the correct one. While therefore, the power to tax is not unlimited, its confines are set in the clause which confers it, and not in those of section 8 which bestow and define the legislative powers of the Congress. It results that the power of Congress to authorize expenditure of public moneys for public purposes is not limited by the direct grants of legislative power found in the Constitution.

But the adoption of the broader construction leaves the power to spend subject to limitations.

As Story says:

"The Constitution was, from its very origin, contemplated to be the frame of a national government, of special and enumerated powers, and not of general and unlimited powers."[13]

Again he says:

"A power to lay taxes for the common defence and general welfare of the United States is not in common sense a general power. It is limited to those objects. It cannot constitutionally transcend them."[14]

That the qualifying phrase must be given effect all advocates of broad construction admit. Hamilton, in his well known Report on Manufactures, states that the purpose must be "general, and not local."[15] Monroe, an advocate of Hamilton's doctrine, wrote: "Have Congress a right to raise and appropriate the money to any and to every purpose according to their will and pleasure? They certainly have not."[16] Story says that if the tax be not proposed for the common defence or general welfare, but for other objects wholly extraneous, it would be wholly indefensible upon constitutional principles.[17] And he makes it clear that the powers of taxation and appropriation extend only to matters of national, as distinguished from local welfare.

As elsewhere throughout the Constitution the section in question lays down principles which control the use of the power, and does not attempt meticulous or detailed directions. Every presumption is to be indulged in favor of faithful compliance by Congress with the mandates of the fundamental law. Courts are reluctant to adjudge any statute in contravention of them. But, under our frame of government, no other place is provided where the citizen may be heard to urge that the law fails to conform to the limits set upon the use of a granted power. When such a contention comes here we naturally require a showing that by no reasonable possibility can the challenged legislation fall within the wide range of discretion permitted to the Congress. How great is the extent of that range, when the subject is the promotion of the general welfare of the United States, we need hardly remark. But, despite the breadth of the legislative discretion, our duty to hear and to render judgment remains. If the statute plainly violates the stated principle of the Constitution we must so declare.

We are not now required to ascertain the scope of the phrase "general welfare of the United States" or to determine whether an appropriation in aid of agriculture falls within it. Wholly apart from that question, another principle embedded in our Constitution prohibits the enforcement of the Agricultural Adjustment Act. The act invades the reserved rights of the states. It is a statutory plan to regulate and control agricultural production, a matter beyond the powers delegated to the federal government. The tax, the appropriation of the funds raised, and the direction for their disbursement, are but parts of the plan. They are but means to an unconstitutional end.

From the accepted doctrine that the United States is a government of delegated powers, it follows that those not expressly granted, or reasonably to

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[12] *Loc. cit.* Chapter XIV, *passim.*
[13] *Loc. cit.* § 909.
[14] *Loc. cit.* § 922.
[15] Works, Vol. III, p. 250.
[16] Richardson, *Messages and Papers of the Presidents,* Vol. II, p. 167.
[17] *Loc. cit.* p. 673.

be implied from such as are conferred, are reserved to the states or to the people. To forestall any suggestion to the contrary, the Tenth Amendment was adopted.[18] The same proposition, otherwise stated, is that powers not granted are prohibited. None to regulate agricultural production is given, and therefore legislation by Congress for that purpose is forbidden.

It is an established principle that the attainment of a prohibited end may not be accomplished under the pretext of the exertion of powers which are granted.

"Should Congress, in the execution of its powers, adopt measures which are prohibited by the constitution, or should Congress, under the pretext of executing its powers, pass laws for the accomplishment of objects not entrusted to the government, it would become the painful duty of this tribunal, should a case requiring such a decision come before it, to say that such an act was not the law of the land." *M'Culloch* v. *Maryland*, 4 Wheat. 316, 423.

"Congress cannot, under the pretext of executing delegated power, pass laws for the accomplishment of objects not entrusted to the Federal Government. And we accept as established doctrine that any provision of an act of Congress ostensibly enacted under power granted by the Constitution, not naturally and reasonably adapted to the effective exercise of such power but solely to the achievement of something plainly within power reserved to the States, is invalid and cannot be enforced." *Linder* v. *United States*, 268 U. S. 5, 17.

These principles are as applicable to the power to lay taxes as to any other federal power. Said the court, in *M'Culloch* v. *Maryland*, *supra*, 421:

"Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the constitution, are constitutional."

The power of taxation, which is expressly granted, may, of course, be adopted as a means to carry into operation another power also expressly granted. But resort to the taxing power to effectuate an end which is not legitimate, not within the scope of the Constitution, is obviously inadmissible.

"Congress is not empowered to tax for those purposes which are within the exclusive province of the States." *Gibbons* v. *Ogden*, 9 Wheat. 1, 199.

"There are, indeed, certain virtual limitations, arising from the principles of the Constitution itself. It would undoubtedly be an abuse of the [taxing] power if so exercised as to impair the separate existence and independent self-government of the States, or if exercised for ends inconsistent with the limited grants of power in the Constitution." *Veazie Bank* v. *Fenno*, 8 Wall. 533, 541.

In the *Child Labor Tax Case*, 259 U. S. 20, and in *Hill* v. *Wallace*, 259 U. S. 44, this court had before it statutes which purported to be taxing measures. But their purpose was found to be to regulate the conduct of manufacturing and trading, not in interstate commerce, but in the states—matters not within any power conferred upon Congress by the Constitution—and the levy of the tax a means to force compliance. The court held this was not a constitutional use, but an unconstitutional abuse of the power to tax. In *Linder* v. *United States*, *supra*, we held that the power to tax could not justify the regulation of the practice of a profession, under the pretext of raising revenue. In *United States* v. *Constantine* (decided December 11, 1935), we declared that Congress could not, in the guise of a tax, impose sanctions for violation of state law respecting the local sale of liquor. These decisions demonstrate that Congress could not, under the pretext of raising revenue, lay a tax on processors who refuse to pay a certain price for cotton and exempt those who agree so to do, with the purpose of benefiting producers.

Third. If the taxing power may not be used as the instrument to enforce a regulation of matters of state concern with respect to which the Congress has no authority to interfere, may it, as in the present case, be employed to raise the money necessary to purchase a compliance which the Congress is powerless to command? The Government asserts that whatever might be said against the validity of the plan, if compulsory, it is constitutionally sound because the end is accomplished by voluntary cooperation. There are two sufficient answers to the contention. The regulation is not in fact voluntary. The farmer, of course, may refuse to comply, but the price of such refusal is the loss of benefits. The amount offered is intended to be sufficient to exert pressure on

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[18] The Tenth Amendment declares: "The powers not delegated to the United States by the Constitution nor prohibited by it to the States, are reserved to the States respectively or to the people."

him to agree to the proposed regulation.[19] The power to confer or withhold unlimited benefits is the power to coerce or destroy. If the cotton grower elects not to accept the benefits, he will receive less for his crops; those who receive payments will be able to undersell him. The result may well be financial ruin. The coercive purpose and intent of the statute is not obscured by the fact that it has not been perfectly successful. It is pointed out that, because there still remained a minority whom the rental and benefit payments were insufficient to induce to surrender their independence of action, the Congress has gone further and, in the Bankhead Cotton Act, used the taxing power in a more directly minatory fashion to compel submission. This progression only serves more fully to expose the coercive purpose of the so-called tax imposed by the present act. It is clear that the Department of Agriculture has properly described the plan as one to keep a non-cooperating minority in line. This is coercion by economic pressure. The asserted power of choice is illusory.

In *Frost Trucking Company* v. *R. R. Commission*, 271 U. S. 583, a state act was considered which provided for supervision and regulation of transportation for hire by automobile on the public highways. Certificates of convenience and necessity were to be obtained by persons desiring to use the highways for this purpose. The regulatory commission required that a private contract carrier should secure such a certificate as a condition of its operation. The effect of the commission's action was to transmute the private carrier into a public carrier. In other words, the privilege of using the highways as a private carrier for compensation was conditioned upon his dedicating his property to the quasi-public use of public transportation. While holding that the private carrier was not obliged to submit himself to the condition the commission denied him the privilege of using the highways if he did not do so. The argument was, as here, that the carrier had a free choice. This court said, in holding the act as construed unconstitutional:

"If so, constitutional guaranties, so carefully safeguarded against direct assault, are open to destruction by the indirect but no less effective process of requiring a surrender, which, though, in form voluntary, in fact lacks none of the elements of compulsion. Having regard to form alone, the act here is an offer to the private carrier of a privilege, which the state may grant or deny, upon a condition, which the carrier is free to accept or reject. In reality, the carrier is given no choice, except a choice between the rock and the whirlpool,— an option to forego a privilege which may be vital to his livelihood or submit to a requirement which may constitute an intolerable burden." (p. 593.)

But if the plan were one for purely voluntary co-operation it would stand no better so far as federal power is concerned. At best it is a scheme for purchasing with federal funds submission to federal regulation of a subject reserved to the states.

It is said that Congress has the undoubted right to appropriate money to executive officers for expenditure under contracts between the government and individuals; that much of the total expenditures is so made. But appropriations and expenditures under contracts for proper governmental purposes cannot justify contracts which are not within federal power. And contracts for the reduction of acreage and the control of production are outside the range of that power. An appropriation to be expended by the United States under contracts calling for violation of a state law clearly would offend the Constitution. Is a statute less objectionable which authorizes expenditure of federal moneys to induce action in a field in which the United States has no power to intermeddle? The Congress cannot invade state jurisdiction to compel individual action; no more can it purchase such action.

We are referred to numerous types of federal appropriation which have been made in the past, and it is asserted no question has been raised as to their validity. We need not stop to examine or consider them. As was said in *Massachusetts* v. *Mellon*, *supra* (p. 487):

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[19] U. S. Dept. of Agriculture, *Agricultural Adjustment*, p. 9. "Experience of cooperative associations and other groups has shown that without such Government support, the efforts of the farmers to band together to control the amount of their product sent to market are nearly always brought to nothing. Almost always, under such circumstances, there has been a noncooperating minority, which, refusing to go along with the rest, has stayed on the outside and tried to benefit from the sacrifices the majority has made. . . . It is to keep this noncooperating minority in line, or at least prevent it from doing harm to the majority, that the power of the Government has been marshaled behind the adjustment programs."

". . . as an examination of the act of Congress will disclose, a large number of statutes appropriating or involving the expenditure of moneys for non-federal purposes have been enacted and carried into effect."

As the opinion points out, such expenditures have not been challenged because no remedy was open for testing their constitutionality in the courts.

We are not here concerned with a conditional appropriation of money, nor with a provision that if certain conditions are not complied with the appropriation shall no longer be available. By the Agricultural Adjustment Act the amount of the tax is appropriated to be expended only in payment under contracts whereby the parties bind themselves to regulation by the federal government. There is an obvious difference between a statute stating the conditions upon which moneys shall be expended and one effective only upon assumption of a contractual obligation to submit to a regulation which otherwise could not be enforced. Many examples pointing the distinction might be cited. We are referred to appropriations in aid of education, and it is said that no one has doubted the power of Congress to stipulate the sort of education for which money shall be expended. But an appropriation to an educational institution which by its terms is to become available only if the beneficiary enters into a contract to teach doctrines subversive of the Constitution is clearly bad. An affirmance of the authority of Congress so to condition the expenditure of an appropriation would tend to nullify all constitutional limitations upon legislative power.

But it is said that there is a wide difference in another respect, between compulsory regulation of the local affairs of a state's citizens and the mere making of a contract relating to their conduct; that, if any state objects, it may declare the contract void and thus prevent those under the state's jurisdiction from complying with its terms. The argument is plainly fallacious. The United States can make the contract only if the federal power to tax and to appropriate reaches the subject matter of the contract. If this does reach the subject matter, its exertion cannot be displaced by state action. To say otherwise is to deny the supremacy of the laws of the United States; to make them subordinate to those of a State. This would reverse the cardinal principle embodied in the Constitution and substitute one which declares that Congress may only effectively legislate as to matters within federal competency when the States do not dissent.

Congress has no power to enforce its commands on the farmer to the ends sought by the Agricultural Adjustment Act. It must follow that it may not indirectly accomplish those ends by taxing and spending to purchase compliance. The Constitution and the entire plan of our government negative any such use of the power to tax and to spend as the act undertakes to authorize. It does not help to declare that local conditions throughout the nation have created a situation of national concern; for this is but to say that whenever there is a widespread similarity of local conditions, Congress may ignore constitutional limitations upon its own powers and usurp those reserved to the states. If, in lieu of compulsory regulation of subjects within the states' reserved jurisdiction, which is prohibited, the Congress could invoke the taxing and spending power as a means to accomplish the same end, clause 1 of Section 8 of Article I would become the instrument for total subversion of the governmental powers reserved to the individual states.

If the act before us is a proper exercise of the federal taxing power, evidently the regulation of all industry throughout the United States may be accomplished by similar exercises of the same power. It would be possible to exact money from one branch of an industry and pay it to another branch in every field of activity which lies within the province of the states. The mere threat of such a procedure might well induce the surrender of rights and the compliance with federal regulation as the price of continuance in business. A few instances will illustrate the thought.

Let us suppose Congress should determine that the farmer, the miner, or some other producer of raw materials is receiving too much for his products, with consequent depression of the processing industry and idleness of its employes. Though, by confession, there is no power vested in Congress to compel by statute a lowering of the prices of the raw material the same result might be accomplished, if the questioned act be valid, by taxing the producer upon his output and appropriating the proceeds to the processors, either with or without conditions imposed as the consideration for payment of the subsidy.

We have held in *Schechter Poultry Corp.* v. *United States*, 295 U. S. 495, that Congress has no power to regulate wages and hours of labor in a local business. If the petitioner is right this very end may be accomplished by appropriating money to be paid to employers from the federal treasury under contracts whereby they agree to comply with certain standards fixed by federal law or by contract.

Should Congress ascertain that sugar refiners are not receiving a fair profit, and that this is detrimental to the entire industry, and in turn has its repercussions in trade and commerce generally, it might, in analogy to the present law, impose an excise of two cents a pound on every sale of the commodity and pass the funds collected to such refiners, and such only, as will agree to maintain a certain price.

Assume that too many shoes are being manufactured throughout the nation; that the market is saturated, the price depressed, the factories running half-time, the employes suffering. Upon the principle of the statute in question Congress might authorize the Secretary of Commerce to enter into contracts with shoe manufacturers providing that each shall reduce his output and that the United States will pay him a fixed sum proportioned to such reduction, the money to make the payments to be raised by a tax on all retail shoe dealers or their customers.

Suppose that there are too many garment workers in the large cities; that this results in dislocation of the economic balance. Upon the principle contended for an excise might be laid on the manufacture of all garments manufactured and the proceeds paid to those manufacturers who agree to remove their plants to cities having not more than a hundred thousand population. Thus, through the asserted power of taxation, the federal government, against the will of individual states, might completely redistribute the industrial population.

A possible result of sustaining the claimed federal power would be that every business group which thought itself under-privileged might demand that a tax be laid on its vendors or vendees, the proceeds to be appropriated to the redress of its deficiency of income.

These illustrations are given, not to suggest that any of the purposes mentioned are unworthy, but to demonstrate the scope of the principle for which the Government contends; to test the principle by its applications; to point out that, by the exercise of the asserted power, Congress would, in effect, under the pretext of exercising the taxing power, in reality accomplish prohibited ends. It cannot be said that they envisage improbable legislation. The supposed cases are no more improbable than would the present act have been deemed a few years ago.

Until recently no suggestion of the existence of any such power in the federal government has been advanced. The expressions of the framers of the Constitution, the decisions of this court interpreting that instrument and the writings of great commentators will be searched in vain for any suggestion that there exists in the clause under discussion or elsewhere in the Constitution, the authority whereby every provision and every fair implication from that instrument may be subverted, the independence of the individual states obliterated, and the United States converted into a central government exercising uncontrolled police power in every state of the Union, superseding all local control or regulation of the affairs or concerns of the states.

Hamilton himself, the leading advocate of broad interpretation of the power to tax and to appropriate for the general welfare, never suggested that any power granted by the Constitution could be used for the destruction of local self-government in the states. Story countenances no such doctrine. It seems never to have occurred to them, or to those who have agreed with them, that the general welfare of the United States (which has aptly been termed "an indestructible Union, composed of indestructible States"), might be served by obliterating the constituent members of the Union. But to this fatal conclusion the doctrine contended for would inevitably lead. And it sole premise is that, though the makers of the Constitution, in erecting the federal government, intended sedulously to limit and define its power, so as to reserve to the states and the people sovereign power, to be wielded by the states and their citizens and not to be invaded by the United States, they nevertheless by a single clause gave power to the Congress to tear down the barriers, to invade the states' jurisdiction, and to become a parliament of the whole people, subject to no restrictions save such as are self-imposed. The argument when seen in its true character and in the light of its inevitable results must be rejected.

Since, as we have pointed out, there was no power in the Congress to impose the contested exaction, it could not lawfully ratify or confirm what an executive officer had done in that regard. Consequently the Act of 1935 does not affect the rights of the parties.

The judgment is affirmed.

SUPREME COURT OF THE UNITED STATES

No. 401.—October Term, 1935

United States of America, petitioner

vs.

William M. Butler et al., receivers of Hooosac Mills Corporation

On Writ of Certiorari to the United States Circuit Court of Appeals for the First Circuit

[January 6, 1936]

Mr. Justice Stone:

I think the judgment should be reversed.

The present stress of wdely held and strongly expressed defferences of opinion of the wisdom of the Agricultural Adjustment Act makes it important, in the interest of clear thinking and sound result, to emphasize at the outset certain propositions which should have controlling influence in determining the validity of the Act. They are:

1. The power of courts to declare a statute unconstitutional is subject to two guiding principles of decision which ought never to be absent from judicial consciousness. One is that courts are concerned only with the power to enact statutes, not with their wisdom. The other is that while unconstitutional exercise of power by the executive and legislative branches of the government is subject to judicial restraint, the only check upon our own exercise of power is our own sense of self-restraint. For the removal of unwise laws from the statute books appeals lies not to the courts but to the ballot and to the processes of democratic government.

2. The constitutional power of Congress to levy an excise tax upon the processing of agricultural products is not questioned. The present levy is held invalid, not for any want of power in Congress to lay such a tax to defray public expenditures, including those for the general welfare, but because the use to which its proceeds are put is disapproved.

3. As the present depressed state of agriculture is nation wide in its extent and effects, there is no basis for saying that the expenditure of public money in aid of farmers is not within the specifically granted power of Congress to levy taxes to "provide for the . . . general welfare." The opinion of the Court does not dclare otherwise.

4. No question of a variable tax fixed from time to time by fiat of the Secretary of Agriculture, or of unauthorized delegation of legislative power, is now presented. The schedule of rates imposed by the Secretary in accordance with the original command of Congress has since been specifically adopted and confirmed by Act of Congress, which has declared that it shall be the lawful tax. Act of August 24, 1935, — Stat. —. That is the tax which the government now seeks to collect. Any defects there may have been in the manner of laying the tax by the Secretary have now been removed by the exercise of the power of Congress to pass a curative statute validating an intended, though defective tax. *United States* v. *Heintzen & Co.*, 206 U. S. 370; *Graham & Foster* v. *Goodcell*, 282 U. S. 409; cf. *Milliken* v. *United States*, 283 U. S. 15. The Agricultural Adjustment Act as thus amended declares that none of its provisions shall fail because others are pronounced invalid.

It is with these preliminary and hardly controverted matters in mind that we should direct our attention to the pivot on which the decision of the Court is made to turn. It is that a levy unquestionably within the taxing power of Congress may be treated as invalid because it is a step in a plan to regulate agricultural production and is thus a forbidden infringement of state power. The levy is not any the less an exercise of taxing power because it is intended

to defray an expenditure for the general welfare rather than for some other support of government. Nor is the levy and collection of the tax pointed to as effecting the regulation. While all federal taxes inevitably have some influence on the internal economy of the states, it is not contended that the levy of a processing tax upon manufacturers using agricultural products as raw material has any perceptible regulatory effect upon either their production or manufacture. The tax is unlike the penalties which were held invalid in the *Child Labor Tax Case*, 259 U. S. 20, in *Hill* v. *Wallace*, 259 U. S. 44, in *Linder* v. *United States*, 268 U. S. 5, 17, and in *United States* v. *Constantine*, decided December 11, 1935, because they were themselves the instruments of regulation by virtue of their coercive effect on matters left to the control of the states. Here regulation, if any there be, is accomplished not by the tax but by the method by which its proceeds are expended, and would equally be accomplished by any like use of public funds, regardless of their source.

The method may be simply stated. Out of the available fund payments are made to such farmers as are willing to curtail their productive acreage, who in fact do so and who in advance have filed their written undertaking to do so with the Secretary of Agriculture. In saying that this method of spending public moneys is an invasion of the reserved powers of the states, the Court does not assert that the expenditure of public funds to promote the general welfare is not a substantive power specifically delegated to the national government, as Hamilton and Story pronounced it to be. It does not deny that the expenditure of funds for the benefit of farmers and in aid of a program of curtailment of production of agricultural products, and thus of a supposedly better ordered national economy, is within the specifically granted power. But it is declared that state power is nevertheless infringed by the expenditure of the proceeds of the tax to compensate farmers for the curtailment of their cotton acreage. Although the farmer is placed under no legal compulsion to reduce acreage, it is said that the mere offer of compensation for so doing is a species of economic coercion which operates with the same legal force and effect as though the curtailment were made mandatory by Act of Congress. In any event it is insisted that even though not coercive the expenditure of public funds to induce the recipients to curtail production is itself an infringement of state power, since the federal government cannot invade the domain of the states by the "purchase" of performance of acts which it has no power to compel.

Of the assertion that the payments to farmers are coercive, it is enough to say that no such contention is pressed by the taxpayer, and no such consequences were to be anticipated or appear to have resulted from the administration of the Act. The suggestion of coercion finds no support in the record or in any data showing the actual operation of the Act. Threat of loss, not hope of gain, is the essence of economic coercion. Members of a long depressed industry have undoubtedly been tempted to curtail acreage by the hope of resulting better prices and by the proffered opportunity to obtain needed ready money. But there is nothing to indicate that those who accepted benefits were impelled by fear of lower prices if they did not accept, or that at any stage in the operation of the plan a farmer could say whether, apart from the certainty of cash payments at specified times, the advantage would lie with curtailment of production plus compensation, rather than with the same or increased acreage plus the expected rise in prices which actually occurred. Although the Agricultural Adjustment Act was put into operation in June 1933 the official reports of the Department of Agriculture show that 6,343,000 acres of productive cotton land, 14% of the total, did not participate in the plan in 1934, and 2,790,000 acres, 6% of the total, did not participate in 1935. Of the total number of farms growing cotton, estimated at 1,500,000, 33% in 1934 and 13% in 1935 did not participate.

It is significant that in the congressional hearings on the bill that became the Bankhead Act, 48 Stat. 598, as amended by Act of June 20, 1934, 48 Stat. 1184, which imposes a tax of 50% on all cotton produced in excess of limits prescribed by the Secretary of Agriculture, there was abundant testimony that the restriction of cotton production attempted by the Agricultural Adjustment Act could not be secured without the coercive provisions of the Bankhead Act. See Hearing before Committee on Agriculture, U. S. Senate, on S. 1974, 73rd Cong., 2nd Sess.; Hearing before Committee on Agriculture, U. S. House of Representatives, on H. R. 8402, 73rd Cong., 2nd Sess. The Senate and House Committees so reported, Senate Report No. 283, 73rd Cong., 2nd Sess., p. 3; House Report No. 867, 73rd Cong., 2nd Sess., p. 3. The Report of the Depart-

ment of Agriculture on the administration of the Agricultural Adjustment Act (February 15, 1934 to December 31, 1934), p. 50, points out that the Bankhead Act was passed in response to a strong sentiment in favor of mandatory production control "that would prevent non-cooperating farmers from increasing their own plantings in order to capitalize upon the price advances that had resulted from the reductions made by contract signers."[1] The presumption of constitutionality of a statute is not to be overturned by an assertion of its coercive effect which rests on nothing more substantial than groundless speculation.

It is upon the contention that state power is infringed by purchased regulation of agricultural production that chief reliance is placed. It is insisted that, while the Constitution gives to Congress, in specific and unambiguous terms, the power to tax and spend, the power is subject to limitations which do not find their origin in any express provision of the Constitution and to which other expressly delegated powers are not subject.

The Constitution requires that public funds shall be spent for a defined purpose, the promotion of the general welfare. Their expenditure usually involves payment on terms which will insure use by the selected recipients within the limits of the constitutional purpose. Expenditures would fail of their purpose and thus lose their constitutional sanction if the terms of payment were not such that by their influence on the action of the recipients the permitted end would be attained. The power of Congress to spend is inseparable from persuasion to action over which Congress has no legislative control. Congress may not command that the science of agriculture be taught in state universities. But if it would aid the teaching of that science by grants to state institutions, it is appropriate, if not necessary, that the grant be on the condition, incorporated in the Morrill Act, 12 Stat. 503, 26 Stat. 417, that it be used for the intended purpose. Similarly it would seem to be compliance with the Constitution, not violation of it, for the government to take and the university to give a contract that the grant would be so used. It makes no difference that there is a promise to do an act which the condition is calculated to induce. Condition and promise are alike valid since both are in furtherance of the national purpose for which the money is appropriated.

These effects upon individual action, which are but incidents of the authorized expenditure of government money, are pronounced to be themselves a limitation upon the granted power, and so the time-honored principle of constitutional interpretation that the granted power includes all those which are incident to it is reversed. "Let the end be legitimate", said the great Chief Justice, "let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the Constitution, are constitutional." *McCulloch* v. *Maryland*, 4 Wheat. 316, 421. This cardinal guide to constitutional exposition must now be re-phrased so far as the spending power of the federal government is concerned. Let the expenditure be to promote the general welfare, still, if it is needful in order to insure its use for the intended purpose to influence any action which Congress cannot command because within the sphere of state government, the expediture is unconstitutional. And taxes otherwise lawfully levied are likewise unconstitutional if they are appropriated to the expenditure whose incident is condemned.

Congress through the Interstate Commerce Commission has set aside intrastate railroad rates. It has made and destroyed intrastate industries by raising or lowering tariffs. These results are said to be permissible because they are incidents of the commerce power and the power to levy duties on imports. See *Minnesota Rate Cases*, 230 U. S. 352; *Shreveport Rate Cases*, 234 U. S. 342; *Board of Trustees of the University of Illinois* v. *United States*, 289 U. S. 48. The only conclusion to be drawn is that results become lawful when they are incidents of those powers but unlawful when incident to the similarly granted power to tax and spend.

Such a limitation is contradictory and destructive of the power to appropriate for the public welfare, and is incapable of practical application. The spending power of Congress is in addition to the legislative power and not subordinate to it. This independent grant of the power of the purse, and its very nature, involving in its exercise the duty to insure expenditure within the

[1] Whether coercion was the sole or the dominant purpose of the Bankhead Act, or whether the act was designed also for revenue or other legitimate ends, there is no occasion to consider now.

granted power, presuppose freedom of selection among divers ends and aims, and the capacity to impose such conditions as will render the choice effective. It is a contradiction in terms to say that there is power to spend for the national welfare, while rejecting any power to impose conditions reasonably adapted to the attainment of the end which alone would justify the expenditure.

The limitation now sanctioned must lead to absurd consequences. The government may give seeds to farmers, but may not condition the gift upon their being planted in places where they are most needed or even planted at all. The government may give money to the unemployed, but may not ask that those who get it shall give labor in return, or even use it to support their families. It may give money to sufferers from earthquake, fire, tornado, pestilence, or flood, but may not impose conditions—health precautions designed to prevent the spread of disease, or induce the movement of population to safer or more sanitary areas. All that, because it is purchased regulation infringing state powers, must be left for the states, who are unable or unwilling to supply the necessary relief. The government may spend its money for vocational rehabilitation, 48 Stat. 389, but it may not, with the consent of all concerned, supervise the process which it undertakes to aid. It may spend its money for the suppression of the boll weevil, but may not compensate the farmers for suspending the growth of cotton in the infected areas. It may aid state reforestation and forest fire prevention agencies, 43 Stat. 653, but may not be permitted to supervise their conduct. It may support rural schools, 39 Stat. 929, 45 Stat. 1151, 48 Stat. 792, but may not condition its grant by the requirement that certain standards be maintained. It may appropriate moneys to be expended by the Reconstruction Finance Corporation "to aid in financing agriculture, commerce, and industry", and to facilitate "the exportation of agricultural and other products." Do all its activities collapse because, in order to effect the permissible purpose, in myriad ways the money is paid out upon terms and conditions which influence action of the recipients within the states, which Congress cannot command? The answer would seem plain. If the expenditure is for a national public purpose, that purpose will not be thwarted because payment is on condition which will advance that purpose. The action which Congress induces by payments of money to promote the general welfare, but which it does not command or coerce, is but an incident to a specifically granted power, but a permissible means to a legitimate end. If appropriation in aid of a program of curtailment of agricultural production is constitutional, and it is not denied that it is, payment to farmers on condition that they reduce their crop acreage is constitutional. It is not any the less so because the farmer at his own option promises to fulfill the condition.

That the governmental power of the purse is a great one is not now for the first time announced. Every student of the history of government and economics is aware of its magnitude and of its existence in every civilized government. Both were well understood by the framers of the Constitution when they sanctioned the grant of the spending power to the federal government, and both were recognized by Hamilton and Story, whose views of the spending power as standing on a parity with the other powers specifically granted, have hitherto been generally accepted.

The suggestion that it must now be curtailed by judicial fiat because it may be abused by unwise use hardly rises to the dignity of argument. So may judicial power be abused. "The power to tax is the power to destroy," but we do not, for that reason, doubt its existence, or hold that its efficacy is to be restricted by its incidental or collateral effects upon the states. See *Veazie Bank* v. *Fenno*, 8 Wall. 533; *McCray* v. *United States*, 195 U. S. 27; compare *Magnano Co.* v. *Hamilton*, 292 U. S. 40. The power to tax and spend is not without constitutional restraints. One restriction is that the purpose must be truly national. Another is that it may not be used to coerce action left to state control. Another is the conscience and patriotism of Congress and the Executive. "It must be remembered that legislators are the ultimate guardians of the liberties and welfare of the people in quite as great a degree as the courts." Justice Holmes, in *Missouri, Kansas & Texas R. R. Co.* v. *May*, 194 U. S. 267, 270.

A tortured construction of the Constitution is not to be justified by recourse to extreme examples of reckless congressional spending which might occur if courts could not prevent expenditures which, even if they could be thought to effect any national purpose, would be possible only by action of a legislature

lost to all sense of public responsibility. Such suppositions are addressed to the mind accustomed to believe that it is the business of courts to sit in judgment on the wisdom of legislative action. Courts are not the only agency of government that must be assumed to have capacity to govern. Congress and the courts both unhappily may falter or be mistaken in the performance of their constitutional duty. But interpretation of our great charter of government which proceeds on any assumption that the responsibility for the preservation of our institutions is the exclusive concern of any one of the three branches of government, or that it alone can save them from destruction is far more likely, in the long run, "to obliterate the constituent members" of "an indestructible union of indestructible states" than the frank recognition that language, even of a constitution, may mean what it says: that the power to tax and spend includes the power to relieve a nationwide economic maladjustment by conditional gifts of money.

Mr. Justice Brandies and Mr. Justice Cardozo join in this opinion.

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